

1 (Whereupon, the following pages  
2 are out of in camera.)

3 BY MS. LUSSON:

4 Q Now, given that AMRP commitment within the  
5 \$1 billion capital expenditure commitment, that would  
6 likely be -- that would likely be spent on the AMRP,  
7 does this, in your view, create any sort of undue  
8 pressure on the Applicants to spend money on the AMRP  
9 whether or not it is necessary to maintain safe and  
10 reliable service?

11 A Could you define what you mean "undue  
12 pressure"?

13 Q Well, to the extent you've committed to  
14 make this investment as a condition of the merger,  
15 regardless of what's happening in terms of the  
16 operation of the AMRP and the quality of the  
17 operation of the AMRP, the Company has committed to,  
18 in fact, spend those dollar amounts; is that right?

19 A The Company has committed to spending that  
20 1 billion over that 3-year period which gives  
21 flexibility in the timing of when that money is  
22 spent.

1           Q     Okay.  So there may be less one year as  
2     opposed to --

3           A     Correct.

4           Q     -- another year?

5                     And that commitment stands regardless  
6     of whether the Companies determine upon taking over  
7     Integritys and Peoples Gas, that they need to or should  
8     slow down AMRP spending in order to improve  
9     operational problems; is that true?

10          A     Say that one more time.

11          Q     And that commitment to spend that amount on  
12     the AMRP within that 3-year period stands regardless  
13     of what the Companies determine is necessary in terms  
14     of spending on the AMRP to improve any perceived  
15     operational problems with the program?

16          A     We have a commitment of \$1 billion over the  
17     3-year period.  If, for some reason, something -- you  
18     know, upon further evaluation -- we, of course, would  
19     work with the Commission and the Staff if there is  
20     some reason that it was unable to achieve that  
21     commitment and prudently spend that capital.

22          Q     Would that be some sort of public filing

1 with the Commission? When you say work "with Staff,"  
2 what do you envision?

3 A I do not have what our process will be at  
4 this time.

5 Q And it's true, isn't it, that the Joint  
6 Applicants have not evaluated what changes are  
7 necessary to respond to either the Liberty interim  
8 audit or the final audit that is released later this  
9 spring; is that right?

10 A Yeah, I was not involved in any evaluation,  
11 so I'm not sure what anyone else has done.

12 Q Have you, yourself, read the Liberty audit?

13 A I have not.

14 Q And by "Liberty audit," I mean the interim  
15 audit report that was issued in January.

16 A I have not.

17 Q And prior to making that \$1 billion  
18 commitment, did you review any of the  
19 PricewaterhouseCooper internal audits that Integrys  
20 conducted for the AMRP?

21 A I did not.

22 Q As treasurer of Wisconsin Energy

1 Corporation and the sponsor of the \$1 billion  
2 spending commitment, have you calculated the  
3 anticipated cost of Peoples Gas' AMRP over the life  
4 of the program?

5 A I have not calculated that.

6 Q Have you in the course of proceeding read  
7 Mr. Coppola's testimony it?

8 A I'm sure I've read it. I'm just not  
9 familiar with it at this time.

10 Q You may recall that he estimated that the  
11 AMRP program is anticipated to cost approximately 4.6  
12 billion over the life of the program.

13 Do you recall that figure?

14 A I remember hearing that.

15 Q And do you have any reason -- or have you  
16 made any determination as to whether that's a correct  
17 figure or do you challenge that figure at all?

18 A I have not evaluated the program.

19 Q Okay. Are you familiar at all with the --  
20 what was anticipated to be the cost of the AMRP by  
21 Peoples Gas in the proceeding in which the 2030 date  
22 was set, which was the 2009 rate case?

1           A     I'm familiar with just the information that  
2     was given in the testimony.

3           Q     In your testimony?

4           A     No, what I've read about it --

5           Q     Okay.

6           A     -- I'm somewhat familiar.

7           Q     So prior to making that \$1 billion  
8     investment, did you examine original cost estimates  
9     of AMRP versus what those estimating tend to be  
10    today?

11          A     No, I did not look at the entire length of  
12    the project.

13          Q     Would you agree that the cost of the AMRP  
14    has and will continue going forward to impact the  
15    financing plans of Peoples Gas?

16          A     Those are projects that will incur and  
17    require financing to support the capital spending.

18          Q     And so would you agree then -- is that a  
19    "yes"?

20          A     Yes, it will impact.

21          Q     And would you agree that the higher cost of  
22    the AMRP, the more likely the need is for Peoples Gas

1 to enter the capital markets to finance that project,  
2 all else being equal?

3 A If all else is equal, there would be more  
4 capital to spend, which would take additional  
5 financing.

6 Q And would that increase the need to enter  
7 capital markets or at least obtain some sort of  
8 financing?

9 A Financing for some of the debt, correct.

10 Q And, again, assuming the existence of the  
11 AMRP and a need, a perceived need to access  
12 additional debt, is it -- would you agree that that  
13 may increase -- would increase the debt ratio of the  
14 Company's capital structure to the extent they enter  
15 the capital markets?

16 A No, I don't agree with that.

17 Q Would you agree that it may increase the  
18 debt ratio of the capital structure?

19 A I don't anticipate it increasing the debt  
20 ratio. I have no reason to believe it would.

21 Q And why is that?

22 A Well, we look at the cost of -- the overall

1 capital of a company, whether it's Peoples or North  
2 Shore, one of our companies. And try to maintain  
3 that capital ratio consistent with what we had filed  
4 in rate cases, so that ratio is pretty consistent.

5 Q Are you talking about WEC or are you  
6 talking about Peoples Gas?

7 A Any of our subs that we manage.

8 Q So if a company like Peoples Gas enters the  
9 capital market seeking more debt, that doesn't  
10 increase the debt ratio necessarily?

11 A Over the long rowing period, they may have  
12 a -- to go down. A lot of times it relates to  
13 refinancing short-term debt and overall equity  
14 investments.

15 Q It's possible though, isn't it?

16 A I don't anticipate it -- that it would.

17 Q And given your answer that you don't  
18 anticipate it impacting the debt ratio, is that  
19 assuming that the Company would have to access more  
20 equity or increase their equity ratio to offset that  
21 increased debt?

22 A The Company would put in equity

1 contributions from the holding companies down into  
2 the subsidiary Peoples at that time.

3 Q And that is not free to Peoples Gas, is it?  
4 There's a cost that's associated with that assuming  
5 the cost of equity of the holding company is higher  
6 than Peoples Gas'?

7 A Well, the cost of equity for Peoples Gas  
8 would be determined in the rate cases of Peoples --

9 Q Mm-hmm.

10 A -- you would be looking at the overall  
11 revenue requirements of Peoples with the debt and  
12 capital and the same relationship to -- debt and  
13 capital relationship.

14 Q Mm-hmm. And if Peoples Gas sought more  
15 equity, the cost of equity charged by the parent only  
16 benefits Peoples if that cost of equity is lower than  
17 Peoples, would with you agree?

18 A Well, my understanding is that cost of  
19 equity of Peoples would get determined in a rate case  
20 on a stand alone basis.

21 Q Mm-hmm.

22 A So it would be established in a rate case



1 proceeding.

2 Q Would you agree that how well or how poorly  
3 managed the AMRP is may have impacts on Peoples'  
4 capital structure?

5 A No, I don't understand. I'm not quite sure  
6 of the relationship you're trying to draw there.

7 Q Again, if the Company needs additional  
8 resources, funding for the capital investment due to  
9 inefficiencies or unexpected cost increases, would  
10 you agree that that has the potential to impact the  
11 Company's cap- -- Peoples Gas' capital structure?

12 A And once again, the capital structure will  
13 be established in the rate case on a forward-looking  
14 basis. So I don't know, it would be -- the balance  
15 between debt and equity would be established at that  
16 time, it would up to the decision of the Commission.

17 Q Would you agree, generally, that how much a  
18 company has to finance capital infrastructure  
19 investments --

20 JUDGE DOLAN: Karen, can you use your  
21 microphone, please.

22 BY MS. LUSSEN:

1           Q     Would you agree, generally, that how much a  
2     company has to access the debt market can have an  
3     impact on the Company's cost of capital?

4           A     I do not see that as being a potential  
5     issue.

6           Q     My question is, if you see it as -- you see  
7     it as a potential issue, but generally speaking.

8           A     If they have to go to the debt market with  
9     a reasonable amount to support prudent capital  
10    projects that are earning a return, I don't see that  
11    as being an issue.

12          Q     To the extent a company has to access debt,  
13    is there a potential for a downgrading of the  
14    utility?

15          A     The capital relationship -- when you look  
16    at debt and capital together and the combination,  
17    especially when you have a return given to those  
18    capital projects, it shouldn't effect the overall  
19    rating.

20          Q     Are you assuming between rate cases or over  
21    time? Are you assuming a certain period of time  
22    or -- when you state that or just generally speaking?

1           A     Generally speaking, if that -- if the  
2     assets are earning a return and the capital structure  
3     approved by the Commission is maintained, it's a  
4     proper mix between debt and capital to fund those  
5     investments and the cash flow will be there from  
6     those investments that will support the credit  
7     rating.

8           Q     I understand what you're assuming, so --  
9     but if circumstances change and then the Company in  
10    the next rate case indicates that they are seeking a  
11    different capital structure because of the amount of  
12    debt that is required to be accessed in the capital  
13    markets, would you agree that that -- then, under  
14    those circumstances the capital structure is -- would  
15    be changing?

16          A     If --

17          MR. EIDUKAS:  I'm going to object on the basis  
18    of speculation and relevance because the hypothetical  
19    decision by the Company to make a change in capital  
20    structure in a future rate case does not seem to be  
21    related to the issues to be determined by the  
22    Commission and whether to approve a merger under

1 7-204 and, plus, it just seems like it's unduly  
2 speculative or lacking, you know, further details or  
3 specifics about that question.

4 MS. LUSSON: Well, your Honor, the whole area  
5 of what happens post-merger is by it's very nature  
6 speculative and how infrastructure is financed by a  
7 utility, how those needs may change, that's the  
8 nature of forecasting what happens post-merger. So  
9 I'm simply trying to explore with the witness what  
10 could or could not happen given the existence of this  
11 major capital program that Peoples Gas is now  
12 operating.

13 MR. EIDUKAS: And, your Honor, I would just say  
14 that if, you know, Miss Lusson -- or if there is a  
15 question directed to -- you know, I believe a proper  
16 question would ask what reaction or how would a --  
17 how would the Company -- the acquirer react or act  
18 based on a specific set of circumstances in the  
19 future would be relevant. I think a general  
20 discussion of what may or may not be possible is  
21 speculative and not relevant to the case.

22 MS. LUSSON: Just to wrap it up, it's tied to

1     this 3-year commitment to spend \$1 billion and so I'm  
2     simply trying to explore with the witness what  
3     implications that might have for the Company's  
4     capital structure and overall rates.

5             JUDGE DOLAN: I'll overrule the objection.

6             MS. LUSSON: Thank you, your Honor.

7             THE WITNESS: Could you just --

8             MS. LUSSON: Could you please read the question  
9     back, thank you.

10                     (Record read as requested.)

11             THE WITNESS: So if a capital structure was  
12     proposed to change and the Commission would accept  
13     the proposed changes, then something would change.  
14     So, I just don't know right at this time our  
15     forecast, we did not project any changes in the  
16     capital structure.

17     BY MS. LUSSON:

18             Q     Sitting here today, you can't predict, for  
19     example, what Peoples Gas will propose to the  
20     Commission in the next rate case in terms of its  
21     capital structure given the uncertainties of the  
22     costs associated with the AMRP particularly given the

1       existence of the audit?

2           A     Regardless of the audit or anything, at  
3       this time, I cannot predict what the rate case will  
4       look like.

5           Q     And the proposed capital structure?

6           A     And the proposed capital structure.

7           Q     Would you agree, all else being equal, that  
8       a high debt ratio can impact a company's debt rating  
9       by rating agencies?

10          A     A high debt ratio in relationship -- you  
11       have to look at many factors, but that is one factor  
12       that could affect it.

13          Q     And, typically, if it is perceived by  
14       rating agencies to be an usually high debt ratio,  
15       that can result in a downgrade of the utilities --

16          A     It is one of the factors that a rating  
17       agency would look at. I do not know if it would be  
18       the only factor and if it would result stand alone.

19          Q     Have you, yourself, made any specific  
20       analysis of how the \$1 billion spending commitment  
21       will impact Peoples Gas' need for additional debt?

22          A     I have not done any specific detail

1     analysis.  I know, based on our high level analysis,  
2     they would use additional debt and equity  
3     contributions from the parent.

4             Q     From whom?

5             A     From the holding company.

6             Q     Okay.  And would those be -- and when you  
7     talk about the equity contributions from the holding  
8     company, would those be akin to the cash infusions  
9     Mr. Reed referenced this morning when he talked about  
10    what the Joint Applicants envision?

11            A     Cash infusions from the holding company  
12    into the sub PGL, in this example.

13            Q     And would you agree that unless the cost of  
14    equity charged to Peoples Gas by WEC is less than the  
15    cost of equity that Peoples might obtain in other  
16    places, that there was no benefit to Peoples Gas from  
17    that kind of financing?

18            MR. EIDUKAS:  Objection.  Asked and answered.

19            MS. LUSSON:  I'm not sure it was, but...

20            JUDGE DOLAN:  I don't remember either.  I'm  
21    going to overrule it.

22            THE WITNESS:  It's very similar.  The Wisconsin

1     Energy or Integrys holding will not -- is not charged  
2     equity, the equity rate that is established is  
3     established in a rate case.

4     BY MS. LUSSEN:

5             Q     But you're not suggesting that that cash  
6     infusion comes at zero cost to the ratepayer?

7             A     No, but that cost is not determined from  
8     the holding company. The cost is determined by the  
9     Commission, the return on that.

10            Q     Have you or any Joint Applicant witness  
11     conducted any analysis to determine what the impact,  
12     either short -- both short and long term on rates  
13     would be under that \$1 billion spending commitment?

14            MR. EIDUKAS: I'll just object to the extent it  
15     calls for speculation as to what other witnesses may  
16     or may not have done. I guess Mr. Lauber could  
17     answer to the extent he knows, but to the extent it  
18     asks him speculate about what they may or may not  
19     have done, I would object.

20            MS. LUSSEN: To the extent he knows.

21            JUDGE DOLAN: To the extent.

22            THE WITNESS: I have not done in depth



1 calculation in this specific 1 billion. I do know  
2 the QIP rider has specific annual and monthly limits.

3 BY MS. LUSSON:

4 Q So as I understand your answer, you haven't  
5 conducted that particular analysis to see if that  
6 one -- how that \$1 billion investment commitment  
7 impacts either overall rates or the QIP surcharge; is  
8 that fair to say?

9 A Well, the \$1 billion would be reflected in  
10 rates through the QIP and then in the next rate case,  
11 that would be factored in. I have not done a  
12 specific detailed rate analysis for that.

13 Q All else being equal, will the impact on  
14 Peoples Gas customer rates associated with AMRP  
15 investment be more severe over the life of the AMRP  
16 if the company, Peoples Gas, is required to complete  
17 that program by 2030 as opposed to a longer period?

18 A I have not done analysis over the life of  
19 AMRP.

20 Q How about in the short term?

21 A I have not done a detailed analysis of the  
22 AMRP.

1           Q     All else being equal, would you agree the  
2     AMRP investment for Peoples Gas would be easier to  
3     finance if spread over a longer time frame than the  
4     current 2030 schedule?

5           A     There's a lot of factors that are into  
6     that, so I don't know if it would be easier to  
7     finance or not. Because of the recovery mechanism in  
8     place, it allows for the financing to support it. So  
9     there would be the -- less or more, but I don't know  
10    if it would be easier or harder.

11          Q     Perhaps I used the -- made the wrong word  
12    choice in using "easier". Would the financing  
13    require, all else being equal, be less if the AMRP  
14    investment was spread over a longer time period than  
15    2030 during the life of that AMRP plan?

16          A     I have not analyzed the entire life of the  
17    plan, so I don't know what other factors would be  
18    happening if that AMRP work was not done or if it was  
19    spread out longer. It could have a different effect  
20    that may be more costly, I do not know.

21          Q     Were you involved in the due diligence  
22    review in the period up to the announcement of the

1 proposed merger?

2 A Yes, I was.

3 Q At any time did WEC ask any of the Joint  
4 Applicants, particularly Peoples Gas or Integrys, to  
5 calculate a rate impact of implementing the AMRP over  
6 various time periods?

7 MR. EIDUKAS: I'll object only to the extent of  
8 foundation. I don't think it's been established what  
9 Mr. Lauber's role was in that due diligence and to  
10 the extent it's asking him about what other persons  
11 did for that due diligence, it may or may not be, you  
12 know, causing -- asking him to speculate. If I could  
13 ask for some foundation.

14 MS. LUSSON: Sure. I can ask a foundational  
15 question.

16 BY MS. LUSSON:

17 Q Mr. Lauber, in your role as treasurer of  
18 WEC, were you involved in assessing the future  
19 investment and financing needs of Peoples Gas as part  
20 of the due diligence review?

21 A We looked at very high-level modeling and  
22 how that would flow, how the analysis would happen,

1 correct.

2 Q Can you explain what you mean by  
3 "high-level modeling"?

4 A Looking at the -- maintaining the capital  
5 structure while doing capital investments and how  
6 that would require either additional financing or  
7 equity contributions at a very high level. AMRP, of  
8 course, was capital spending in that analysis.

9 Q So would you then -- is it fair to say  
10 given that high-level analysis that you, yourself,  
11 did not request or that WEC did not request Peoples  
12 Gas or Integrys to calculate a rate impact associated  
13 with different time lines related to the AMRP?

14 A We did not do that.

15 MS. LUSSON: Thank you, Mr. Lauber.

16 I have no further questions.

17 JUDGE DOLAN: Thank you.

18 Mr. Reddick?

19 MR. REDDICK: Thank you, Judge.

20

21

22

1 CROSS-EXAMINATION

2 BY

3 MR. REDDICK:

4 Q Good afternoon, Mr. Lauber.

5 A Good afternoon.

6 Q You were present during Mr. Reed's

7 cross-examination, weren't you?

8 A Yes, I was.

9 Q And you've heard his answers to all of the

10 questions that he was asked?

11 A Yes.

12 Q Did he get it all right?

13 JUDGE DOLAN: Mr. Reddick...

14 MR. REDDICK: I'm sorry. The question was

15 whether Mr. Reed was correct in his answers.

16 THE WITNESS: Yes, i don't -- I mean, I would

17 not be able to say 100 percent on every individual

18 question. I was here but I -- I mean, in general,

19 yes.

20 BY MR. REDDICK:

21 Q And nothing struck you as that particular

22 point is a little off?

1           A     Nothing struck me as being off.

2           Q     Okay.  Because we spent so much time with  
3     Mr. Reed, I think I've eliminated most of what I was  
4     going to talk to you about; but to be clear, when we  
5     look at transition costs for ratemaking purposes, the  
6     focus is on the costs and the savings at the utility  
7     level that is for PGL and for North Shore?

8           A     At the utility level or what it would be  
9     allocated to the utility, correct --

10          Q     Allocated to the utility, so --

11          A     -- being clear.

12          Q     Okay.  And Mr. Reed stated that he expected  
13     that there would be tracking of costs and savings at  
14     a project level likely overlaid with other kinds of  
15     tracking.  Is that an accurate statement of what you  
16     at the implementation level have in mind?

17          A     Correct.

18          Q     Is it likely that most of the projects to  
19     achieve cost savings will be initiatives that last  
20     more than a single year?

21          A     We really haven't looked at the  
22     initiatives.  I really don't know what's going to

1       come out of that.

2               Q     But to the extent that these things last  
3       more than a single year, it would be appropriate, I  
4       believe you've said, in your testimony and in  
5       responses to data requests, to look at the period of  
6       the initiative so that we get the total costs and the  
7       total savings to make a net savings determination?

8               A     Correct.

9               Q     One difficulty occurs to me if one is  
10      contemplating a company-wide net savings  
11      determination for any purpose, if we move away from  
12      project specific tracking to company-wide tracking,  
13      how would one make that determination on a  
14      company-wide basis before the longest of the  
15      individual initiatives was complete?

16              A     Could you state that again? I'm trying to  
17      understand what you asked.

18              Q     Okay. Keeping in mind that we're going to  
19      make our next savings determination when we have all  
20      the costs and all the savings, another way of saying  
21      what I -- I think I'm restating what I said before;  
22      that is, we'll make the determination over the entire

1     period of the initiative.

2             A     Okay.

3             Q     To the extent that there is company-wide  
4     tracking as opposed to project-by-project tracking,  
5     my question is, how do you make that determination on  
6     a company-wide basis at any point before the longest  
7     of the individual initiatives is completed?

8             A     The individual initiatives may be specific  
9     to an area or to the company or there may be other  
10    initiatives related to the entire company, so it  
11    would be more on an initiative-to-initiative basis so  
12    you could not have to get to the end of all  
13    initiatives before you look at on a company-wide  
14    basis.

15            Q     So if I understand what you're saying, when  
16    you speak about company-wide determinations, you are  
17    talking about an initiative that has a company-wide  
18    impact as opposed to one -- a particular department  
19    or something of that sort?

20            A     Yeah, there could be a variety of different  
21    initiatives going on.

22            Q     Mr. Reed's testimony mentioned almost in



1     passing some sort of a baseline determination in  
2     connection with tracking transition costs and  
3     transition savings, how would that come into your  
4     implementation plans?

5           A     We have not yet established what our  
6     baselines would be, but we'd have to use that as a  
7     baseline to track where those savings or cost  
8     avoidance would be happening in the future.

9                     I don't know if that was your  
10    question.

11           Q     It is, perhaps poorly asked.

12                     I'm trying to see where the baseline  
13    comes into the calculation. The simplest net savings  
14    calculation I can come up with is total savings minus  
15    total cost and that doesn't include baseline.

16                     Where would the baseline come in?

17           A     In analysis of savings -- total savings,  
18    you have to establish -- because savings are usually  
19    cost avoidance, so you need to establish what are you  
20    avoiding from historical cost patterns.

21           Q     I'll mull that one over.

22                     Is the preference in the net savings

1 determinations to use actual costs and actual  
2 savings?

3           A     The -- it will be using actual cost. The  
4 actual savings is -- the savings, once again, are  
5 those cost avoidance. So it's not like someone pays  
6 us cash, that there's actual cash savings. It's more  
7 like avoiding -- maybe it's filling a position five  
8 years from now or maybe other savings that happen  
9 from a cost reduction, but it's not...

10           Q     I have a slightly different split in mind.  
11 I had in mind a distinction between actual savings  
12 possibly determined, as you say, in cost avoidance,  
13 distinguished from projected savings. Is the  
14 preference for actual savings that is actually  
15 achieved or projected?

16                     Is there a preference of when over the  
17 other in your implementation?

18           A     Well, we will be doing projected savings in  
19 a forward-looking test year and as we set the  
20 initiatives up to evaluate the initiatives. After  
21 the fact, we should be able -- we will be able to  
22 track the actual savings.

1           Q     Well, a future test year projects for a  
2     single year, how do you make a net savings  
3     determination if you're only projecting for one year?

4                     My question, I thought, was a little  
5     different from a test year.

6           A     You are projecting for the life of the  
7     initiative.  If you are spending actual transition  
8     dollars, you will project for the life of the  
9     initiative.

10          Q     And at your implementation level, it still  
11     seems possible to me that when we use projected  
12     savings, we could have a situation where cost  
13     recovery is included in rates, savings are later not  
14     realized and we -- I have not been able to identify a  
15     remedy for the ratepayers.  Is there one?

16          A     I think this will be looked at on a  
17     case-by-case basis in that future test year.  As you  
18     look at costs and you look at avoidance -- cost  
19     avoidance, you know, how is that projected in the  
20     test year, how does the Commission look at that cost,  
21     do they spread it over the curve of the cost  
22     avoidance?  Do they spread it over like Mr. Reed

1     talked about in amortization? I mean, those are all  
2     things that will be determined in the future.

3           Q     Being a ratepayer, I'm stuck on the  
4     possibility that there will be something collected  
5     and given the restraints on the Commission's  
6     ratemaking, there may not be a way to get that money  
7     back if ratepayers are due that under the commitment  
8     that no costs -- no transition costs above achieved  
9     savings will be in rates.

10                   Do you see that possibility?

11           A     There could be some timing involved. I  
12     don't -- you know, I can't think of every different  
13     scenario on how that will play out depending upon the  
14     initiative and what's the accounting? For instance,  
15     we will be incurring some transition costs prior to  
16     the rate case -- the next rate case that won't be  
17     recovered.

18           Q     I believe either you or Mr. Reed mentioned  
19     deferred costs as an alternative to the net savings  
20     calculation of conundrum.

21                   Do you recall that?

22           A     Yes, I do.

1           Q     How would that work?

2           A     Like we discussed earlier, I mean, there  
3     could be costs -- transition costs incurred. The  
4     Commission could decide to take that cost and spread  
5     it over a longer period of time, they could spread it  
6     over a straight line basis and factor savings in,  
7     they could spread it over the curve of projected  
8     savings. I do not know what the savings pattern is  
9     to give you an example.

10          Q     But to the extent that there is not full  
11     recovery before the determination of total costs and  
12     total savings because the end of the initiative has  
13     been reached, that process seems more likely to be  
14     accurate than working with projected figures.

15                     Do you agree?

16          A     Well, all items in a rate case are  
17     projected figures.

18          Q     Okay.

19          A     So projected figures are the best  
20     information at that time to project savings and costs  
21     in that rate case and then it will be addressed again  
22     in the next rate case.

1           Q     I understand that. In a projected test  
2     year we project for the test year, but projections  
3     we're talking about to make a net savings  
4     determination go beyond that test year or could go  
5     beyond the test year; correct?

6           A     Could go beyond the test year, but will  
7     still be evaluated in each test year.

8           Q     When you state it that way, it sounds to me  
9     as though the net savings determination will, in  
10    every test year, rely on projected costs and savings,  
11    not just in the test year period, but for periods  
12    beyond the test year.

13                     Am I hearing you correctly?

14          A     Well, the test year will use projected,  
15    okay, and then in the next test year, you'll actually  
16    have the history of the tracking and the projected,  
17    so you'll be able to look at all the information  
18    available.

19          Q     Well, this goes to my initial question  
20    about whether there is a preference for actual  
21    achieved savings or projected savings and as I  
22    understand what you've just said, in every rate case

1 the determination of whether there are net savings  
2 that can be included in rates will be made on the  
3 basis of projected costs and savings?

4 MR. EIDUKAS: I'm going to object. I'm not  
5 sure there is a question there. Maybe Mr. Reddick  
6 could rephrase.

7 BY MR. REDDICK:

8 Q Is that correct at the end of the  
9 statement?

10 A I hate to do this to you, could you tell me  
11 again. Or...

12 Q As I understand what you just said, in  
13 every test year where there is a rate case, a  
14 determination of net savings will be made on the  
15 basis of projected costs, not already achieved costs,  
16 and when I say "projected costs," I mean costs  
17 projected beyond the test year.

18 Is that what you're saying?

19 A In every test year, just like the current  
20 revenue requirements, looks at projected costs and  
21 what costs were incurred on an actual basis and they  
22 are going to look at projected savings or projected

1 future other costs.

2 Q In my mind -- and tell me if I'm wrong --  
3 there's a distinction between projections for the  
4 test year and what I understand you to be saying,  
5 projections beyond the test year to make the  
6 determination whether there are net savings for a  
7 particular initiative or an asset?

8 A There they will be projections just like a  
9 lot of projects that go beyond the test year. As in  
10 a capital project that's done today, the benefit of  
11 that lasts longer than one test year.

12 Q Generally speaking, those determinations  
13 that you just referenced don't require a decision  
14 whether this particular initiative or a project will  
15 ultimately result in net savings -- positive net  
16 savings, that is in addition to the usual test year  
17 determinations; am I correct?

18 A The projects overall will have a -- looking  
19 at the net savings, but all projects in a rate case  
20 are viewed as being -- is a prudent investment and  
21 where does that go in the future, whether it's  
22 safety, reliability, customer satisfaction. So,



1     yeah, I mean, these projects are net savings that may  
2     encompass more than one year.

3           Q     To me, the determination of net savings to  
4     comply with the commitment that you have in  
5     Commitment No. 21 is different from the determination  
6     in a rate case; is this a good business decision? As  
7     I -- do you see a distinction between the two  
8     determinations?

9           MR. EIDUKAS: Well, I'm just going to object to  
10    the extent that Mr. Reddick is referencing a  
11    commitment. I believe it's referring to Commitment  
12    No. 21 on Joint Applicants' Exhibit 15.1 revised  
13    which states, Transition costs may be recoverable to  
14    the extent the transition costs produce savings. And  
15    there is no term "net savings" in that commitment.  
16    So I would object on the grounds of foundation and  
17    lack of evidence --or lack of evidence in the record  
18    for the way the question was worded.

19          MR. REDDICK: I think both were provided by  
20    Mr. Reed who said that savings was the concept being  
21    used to implement this commitment.

22          MR. EIDUKAS: Well, Mr. Lauber is testifying,

1     so I believe he should be asked what his -- asked his  
2     understanding and --

3             MR. REDDICK:   I think I did at beginning.

4             JUDGE DOLAN:   Okay.   And he did ask if there  
5     was anything he didn't agree with, so I'll overrule.

6             THE WITNESS:   So what is your question again?

7             MR. REDDICK:   May I, your Honor?

8                             (Record read as requested.)

9             THE WITNESS:   And this is looking at transition  
10    costs over -- to produce savings over the life of the  
11    transition project or initiative.   So it would be  
12    forward-looking, perhaps for a longer period of time  
13    than just one rate case.

14    BY MR. REDDICK:

15             Q     I read Commitment No. 21 as a -- as  
16    mathematical, do the costs exceed the savings or  
17    vice versa?   Do you have a different view?

18             A     Well, we looked at that in my data request  
19    looking over the life of the project.

20             Q     Over the life of the project, it is  
21    mathematical?

22             A     To the extent it doesn't have anything

1     other than a dollar savings, whether it's reliability  
2     or safety.

3             Q     As Mr. Reed explained?

4             A     Mm-hmm.

5             Q     However, we make the determinations of net  
6     savings either -- whether there are net savings and  
7     how much there is of net savings, do you agree that  
8     the accuracy of our tracking and accounting for costs  
9     and savings is consequential for ratepayers?

10            A     We'll need to have tracking and savings of  
11    the transition costs and the cost avoidance.

12            Q     And is it your understanding of the  
13    commitment that the utilities, Peoples Gas and North  
14    Shore, would be obliged to demonstrate that -- the  
15    costs are recoverable only to the extent that  
16    transaction costs produce savings?

17            A     Correct.

18            Q     And that demonstration would be similar to  
19    the one that is described in Commitment 16, would it?

20            A     No, 16 is the transaction cost, not the  
21    transition cost.

22            Q     I understand. I was referring to the

1 process, not subject of the demonstration.

2 A Well, the -- 17 is the tracking process.

3 Q 17 says, We will track them separately?

4 A Correct.

5 Q 16 says, In a rate case, we will

6 demonstrate that no improper costs are in the rates?

7 A 16 talks about that as a transaction

8 cost --

9 Q Right.

10 A -- not a transition cost.

11 It does not have transition in there.

12 Q I understand.

13 A Okay.

14 Q My question is, do you plan to take the

15 same approach with transition costs?

16 A We plan on doing the same approach and

17 transition cost is outlined in 17 tracking it and 21,

18 that it has the projection of the net savings -- that

19 it would produce net savings.

20 Q Would the addition of the words

21 "demonstrate that such costs are not included in the

22 rate case for recovery" to No. 21 make you do

1 something you are not planning to do?

2 A No, we will have the tracking and the  
3 information.

4 Q And will you demonstrate that no improper  
5 costs are included in rates?

6 A Yes, we'll have that information and what  
7 the transition costs are and the savings, correct.

8 Q And you will make that demonstration in the  
9 rate case?

10 A Correct.

11 Q Would you agree to make that clear in  
12 Commitment 21 by amending the language?

13 A Well, I thought we had it clear in how  
14 we're going to track it and that it's going to be a  
15 net in 21 and 17, how we're going to track it --  
16 we're we have it, we're going to track it, we're  
17 going to show it and we're only going to seek  
18 recovery to the extension that transition costs  
19 produced net savings, so I think it's covered under  
20 those two.

21 Q So adding that language wouldn't change  
22 anything you plan to do?

1           A     I don't see the need to add it at this  
2     time, no.

3           MR. REDDICK:   Not responsive, your Honor.  I'd  
4     like an answer.  The question was whether adding the  
5     language would require the Joint Applicants to do  
6     anything they don't plan to do?

7           JUDGE DOLAN:   Okay.  You want to answer the  
8     question as -- I think you just said that you think  
9     it's covered.

10          THE WITNESS:   It's already covered under those  
11     two numbers, correct.

12          JUDGE DOLAN:   Okay.  So you want to tell him  
13     how -- so you -- well, I don't want to draw an  
14     analogy from you...

15          MR. REDDICK:    Could we have the question read  
16     back?  I think we may have lost the train there.

17                                 (Record read as requested.)

18          THE WITNESS:   And the specific language you  
19     said is?

20     BY MR. REDDICK:

21           Q     The language in Commitment 16 requiring a  
22     demonstration that improper costs -- improper costs

1 are not included in a rate case for recovery?

2 A There is nothing here about improper costs.

3 Q Such costs referring back to the  
4 description of transaction costs as costs that will  
5 not be recovered.

6 MR. EIDUKAS: Your Honor, I'm going to object  
7 on the grounds that this is calling for a legal  
8 conclusion because, you know, there is a difference  
9 here about what, you know, in trying to obtain  
10 recovery, that isn't -- that's referring to what's  
11 the legal basis to obtain recovery and what a utility  
12 must do to prove up its cost and seek recovery as  
13 opposed to the negative in 16 which is, you know,  
14 we're just -- you know, this is basically  
15 prohibiting, identifying and saying what -- let's  
16 see, -- identifying the transaction costs included to  
17 demonstrate that they're not being included,  
18 they're -- it's not the -- again, this is a legal  
19 question about where the company bears a burden of  
20 proving something and I think the question about --  
21 asking Mr. Lauber will it require the Joint  
22 Applicants -- or will cause it the Joint Applicants

1 to do something they wouldn't otherwise do, I do  
2 think is ask about a -- is calling for a legal  
3 conclusion as currently phrased.

4 MR. REDDICK: May I?

5 JUDGE DOLAN: Yes.

6 MR. REDDICK: I don't believe that's at all the  
7 case. The only reason they have to make a  
8 demonstration the commitment and the only reason  
9 Mr. Lauber said he would be doing something similar,  
10 I'm not sure whether it's the same, is because of the  
11 Commitment 17 and 21. I'm simply asking, What is  
12 your commitment?

13 MR. EIDUKAS: I don't think the question was,  
14 What is your commitment? I think it was whether it  
15 would make the Joint Applicants do anything different  
16 than they otherwise would do and it is tied to a  
17 question of recoverability which I do think is a  
18 legal question, is calling for a legal conclusion  
19 from the witness as currently phrased.

20 JUDGE DOLAN: Why don't you try to rephrase the  
21 question then.

22



1 BY MR. REDDICK:

2 Q Will the Joint Applicants commit to  
3 demonstrate that transition costs are not recovered  
4 to the extent that transition costs -- except to the  
5 extent that transition costs produce savings?

6 A Over the life of the project.

7 Q We can put that in, too, if you'd like.

8 JUDGE DOLAN: I guess your one question is  
9 going to be, Does he have the authority to commit to  
10 that?

11 MR. REDDICK: We'll find out.

12 THE WITNESS: I do not want -- I just do not  
13 know the details that it's anything different than  
14 what I said. I just want to make sure it is not. So  
15 at this point, I do not want to change these  
16 commitments as they're written.

17 BY MR. REDDICK:

18 Q As the person in charge of the  
19 implementation of that commitment, in your mind, does  
20 that commitment include an obligation to demonstrate  
21 to the Commission that transition costs are recovered  
22 in rates only to the extent that they produce

1       savings?

2               A       Over the life of it.

3               Q       Over the life of the --

4               A       Yes. That is our responsibility to

5       demonstrate that.

6               Q       And don't you think it would be helpful

7       years from now when we're not sitting here, to have

8       that in the commitment so we all know what the

9       commitment is?

10              MR. EIDUKAS: Objection. Calls for

11       speculation.

12              JUDGE DOLAN: I'll sustained it.

13              MR. REDDICK: He's the implementation expert

14       here. If vagueness works for him, that's fine, he

15       can say so; if specificity helps, I'd like to know

16       that.

17              THE WITNESS: This was filed.

18       BY MR. REDDICK:

19              Q       So to the extent of your authority and your

20       understanding, you would not agree to put additional

21       detail in No. 21?

22              A       Yeah, I see no reason to change this.

1           Q     Is it true that the Joint Applicants will  
2     make at least one exception to the transition cost  
3     tracking commitment, specifically the Joint  
4     Applicants don't propose to track and remove any  
5     post-transaction effects of paying the acquisition  
6     premium?

7           A     Say that again.   What...

8           Q     Miss Lusson was talking to you about the  
9     acquisition premium and possible effects --  
10    derivative effects of paying the acquisition premium  
11    and whether it might effect could of capital in any  
12    way.   It was my understanding from the discovery that  
13    you do not plan to try to track that; is that  
14    correct?

15          A     Correct.   The cost -- correct.

16          Q     In your testimony you discussed PUA,  
17    Public Utilities Act, Section 7-103.

18                   Do you recall that?

19          A     Correct.

20          Q     And my recollection of that testimony is  
21    that you saw Section 7-103 as sufficient to avoid any  
22    need for a dividend restriction because the

1 Commission has authority to act under that provision?

2 A Correct. Could you direct me where that

3 is?

4 Q I'm sorry?

5 A Could you direct me where that is in my

6 testimony in case there's more.

7 Q Not really.

8 A Okay.

9 Q I'm not going to going to go back to the

10 testimony --

11 A That's fine.

12 Q -- it was just to make sure you understood

13 what I was talking about.

14 A Okay.

15 Q Do you understand how Section 7-103 works?

16 A Not the -- all the intrinsic legal details.

17 My understanding is they could order us to stop

18 issuing a dividend up.

19 Q Does -- do the utilities provide the

20 Commission with any sort of advanced notice that

21 they're about to declare a dividend?

22 A Not that I'm aware of.

1 MR. REDDICK: That's all. Thank you.

2 JUDGE DOLAN: All right. Thank you.

3 Miss Hicks?

4 MS. HICKS: I don't have any further questions.

5 JUDGE DOLAN: Okay.

6 MR. EIDUKAS: A moment to determine redirect?

7 JUDGE DOLAN: Sure.

8 (Break taken.)

9 MR. EIDUKAS: I have a few questions on

10 redirect.

11 REDIRECT EXAMINATION

12 BY

13 MR. EIDUKAS:

14 Q Mr. Reed, during your cross-examination by

15 Miss Lusson, she showed you --

16 THE WITNESS: Mr. Lauber.

17 JUDGE DOLAN: It's Lauber.

18 MR. EIDUKAS: Sorry. Thank you.

19 THE WITNESS: I want that corrected.

20 MR. EIDUKAS: So done. My apologies.

21 BY MR. EIDUKAS:

22 Q You were shown Joint Applicants' 4.1

1 confidential; correct?

2 A Correct.

3 Q And without disclosing any numbers --  
4 specific numbers or amounts contained in this  
5 document, I wanted to ask you a couple questions  
6 about it.

7 A Okay.

8 Q Turning to Page 3, the amounts listed in  
9 this document for years 2015 through 2017 with  
10 respect to Peoples Gas' AMRP, what is your  
11 understanding about whether these are the -- strike  
12 that.

13 Are -- with respect to the numbers  
14 shown in this document, is it your understanding that  
15 these amounts are what Peoples Gas expected to spend  
16 prior to the announcement of the reorganization or  
17 are these numbers that were provided by Wisconsin  
18 Energy as numbers that are going to be spent after  
19 the merger was announced?

20 A My understanding is these are the numbers  
21 that were in the Peoples Gas rate case this last year  
22 and their projection for their spending.

1           Q     Is it -- do you have an understanding or  
2     opinion as to whether or not the amounts -- the  
3     aggregate amounts for spending on AMRP for the years  
4     2015 through 2017 are roughly equivalent to the  
5     \$1 billion commitment for that same time period that  
6     you testified about from your testimony?

7           A     The \$1 billion commitment is under the  
8     commitment that was made by Peoples Gas in this -- in  
9     this proceeding.

10          Q     And when you say "under," do you mean less  
11     than --

12          A     It is a dollar amount that is less than the  
13     dollar amounts on this exhibit.

14          Q     And is that true for only the AMRP amounts  
15     or for the overall amounts listed on the bottom?

16          A     It's really the overall amounts listed at  
17     the bottom because we did not break down our  
18     commitments.

19          Q     And one last question, can a utility,  
20     Peoples Gas or North Shore, include any costs,  
21     transition or otherwise, in their rates without  
22     having to obtain the Commerce Commission's approval

1 to your understanding?

2 A My understanding, they cannot.

3 MR. EIDUKAS: Thank you, your Honor.

4 No further questions.

5 JUDGE DOLAN: Any redirect -- I mean recross,  
6 I'm sorry.

7 (No response.)

8 JUDGE DOLAN: Okay. Thank you, Mr. Lauber.

9 MS. CARDONI: Your Honor, in lieu of cross for  
10 Mr. Lauber, Staff has a series of DRs we'd like to  
11 put into the record.

12 JUDGE DOLAN: Okay.

13 MS. CARDONI: At this time, Staff moves for the  
14 admission of what has been marked as Staff Group  
15 Cross Exhibit 1 consisting of the Companies responses  
16 to Staff Data Request MGM 5.01 through MGM 5.06.

17 (Whereupon, Staff Group  
18 Cross Exhibit No. 1 was  
19 marked for identification.)

20 MR. EIDUKAS: There's no objection, your Honor.

21 JUDGE DOLAN: All right. Then Staff Group  
22 Cross Exhibit 1 will be entered into the record.



1 MS. CARDONI: Thank you.

2 (Whereupon, Staff Group

3 Cross Exhibit No. 1 was

4 admitted into evidence.)

5 JUDGE DOLAN: All right. We're going to take a

6 couple minute break here and then we're going get

7 Mr. Stoller set up down in Springfield.

8 (Break taken.)

9 JUDGE DOLAN: Good afternoon, Mr. Stoller.

10 Mr. Stoller, you want to raise your

11 right hand?

12 (Witness sworn.)

13 JUDGE DOLAN: Thank you.

14 HAROLD STOLLER,

15 called as a witness herein, having been first duly

16 sworn, was examined and testified as follows:

17 DIRECT EXAMINATION

18 BY

19 MS. CARDONI:

20 Q Please state your full name for the record

21 and spell your last name.

22 A My name is Harold Stoller. My last name is

1 spelled S-t-o-l-l-e-r.

2 Q And who is your employer and what is your  
3 business address?

4 A I work for the Illinois Commerce Commission  
5 that is located at 527 East Capitol Avenue,  
6 Springfield, Illinois.

7 Q And what is your position at the Illinois  
8 Commerce Commission?

9 A I'm director of the Safety and Reliability  
10 Division.

11 Q Did you prepare written exhibits for  
12 submittal in this proceeding?

13 A I did.

14 Q Do you have before you a document which has  
15 been marked for identification as ICC Staff 1.0  
16 consisting of a cover page, eight pages of narrative  
17 testimony and is titled the direct testimony of  
18 Harold Stoller?

19 A I do.

20 Q Did you prepare that document for  
21 presentation in this matter?

22 A I did.

1           Q     Do you also have before you a document  
2     which has been marked for identification as ICC Staff  
3     Exhibit 8.0 consisting of a cover page, 11 pages of  
4     narrative testimony, Attachment A, public and  
5     confidential, and is titled the rebuttal testimony of  
6     Harold Stoller?

7           A     Yes.

8           Q     Did you also prepare that document for  
9     presentation in this matter?

10          A     Yes.

11          Q     Finally, do you have before you a document  
12     marked for identification as ICC Staff Exhibit 15.0  
13     consisting of a cover page, four pages of narrative  
14     testimony and is titled reply to the supplemental  
15     testimony filed in response to the Liberty Interim  
16     Report of --

17          A     Yes.

18          Q     -- Harold Stoller?

19          A     Yes, I do.

20          Q     Did you also prepare that document for  
21     presentation in this matter?

22          A     I did.

1           Q     Do you have any corrections to make to  
2 Exhibits 1.0, 8.0 or 15.0?

3           A     I do not.

4           Q     Is the information contained in Staff  
5 Exhibits 1.0, 8.0 and 15.0 true and correct to the  
6 best of your knowledge?

7           A     Yes.

8           Q     And if I were to ask the same questions as  
9 set forth in Staff Exhibits 1.0, 8.0 and 15.0, would  
10 your responses be the same today?

11          A     Yes, they would.

12          MS. CARDONI: Your Honor, I move for admission  
13 into evidence of ICC Staff Exhibits 1.0, 8.0 and 15.0  
14 and all attachments. I note for the record those  
15 documents were filed on e-Docket November 20th, 2014,  
16 January 15th, 2015 and January 29th, 2010,  
17 respectively.

18          JUDGE DOLAN: Any objections?

19                   (No response.)

20          JUDGE DOLAN: Hearing none, those exhibits will  
21 be admitted into record.

22          MS. CARDONI: Thank you.

1  
2 (Whereupon, ICC Staff  
3 Exhibits 1.0, 8.0 and  
4 15.0 were admitted  
5 into evidence.)  
6 MS. CARDONI: Mr. Stoller is available for  
7 cross.  
8 JUDGE DOLAN: Mr. Reddick?  
9 CROSS-EXAMINATION  
10 BY  
11 MR. REDDICK:  
12 Q Good afternoon, Mr. Stoller.  
13 A Good afternoon, Mr. Reddick.  
14 Q How are you?  
15 A I'm fine. And you?  
16 Q I am good. Thank you. I only have one  
17 thing to ask you about and it concerns Commitment  
18 No. 9 which I believe you're familiar with. That's  
19 Commitment No. 9 in Joint Applicants' Exhibit 15.1.  
20 A Commitment 9?  
21 Q Commitment 9.  
22 A I don't have that in front of me.

1           Q     I believe you're familiar with the process  
2     that's been proposed by the Joint Applicants for  
3     dealing with the recommendations from the audit  
4     commission by the Commission?

5           A     I believe I am, yes.

6           Q     Well, rather than shuffle papers, would you  
7     explain to me that process as you understand it?

8           A     Well, I'm familiar with what we have done  
9     before in these situations and that is that once the  
10    Commission gets the recommendation from the auditor,  
11    the consultant, those are shared with the Company and  
12    we then work back and forth with the Company to reach  
13    an agreement about which will be implemented and how  
14    and when, which may not be as originally written and  
15    how they will be, by the Company, if they have  
16    alternatives to propose and when that will be done  
17    and when we get all done with that, we typically take  
18    that to the Commission and say, Here's what we have  
19    negotiated, here's what we have agreed with the  
20    utility will be done.

21          Q     And what do you do in case there are items  
22    outstanding?

1           A     Where we have not been able to reach an  
2     agreement?

3           Q     What have you done in the past?

4           A     You know, I've kept -- quite honestly, I  
5     don't recall a situation where we had not reached  
6     some agreement on every point that the consultants  
7     had recommended action be taken where we didn't reach  
8     an agreement, shall I say, that as far as Commission  
9     Staff was concerned, even though it wasn't what the  
10    consultant specifically recommended, we were okay  
11    with what the Company proposed and we would go back  
12    to the consultant themselves and say, you know, you  
13    said X ought to be done and the utilities proposed X  
14    prime, what do you think about that, will that get  
15    done, what you really think needs to be done? We've  
16    gone back and talked to them about that before and I  
17    don't remember that we ever had to come to the  
18    Commission -- and we may have, I just don't recall --  
19    come to the Commission and said, You know, consultant  
20    recommended something and the utility just says,  
21    These won't do it. I don't recall that.

22          Q     And how long is this process -- well, in

1     your experience, how long does this usually take?

2             A     A couple months maybe.

3             Q     And as I understand the way this particular

4     audit is proceeding, the consultation over

5     recommendations will begin some time after mid-year

6     when the final report is delivered?

7             A     After the final report is delivered, yes.

8             Q     And I assume you will be working to

9     implement the recommendations as quickly as possible?

10            A     To get an agreement about what's going to

11    be done and how soon it's going to be done, if that

12    needs to be done in terms of time, yes.

13            Q     And --

14            A     We don't want time to drag on because the

15    monitoring period starts when the report is

16    delivered.

17            Q     I thought you were going to refer to

18    another reason that I thought I read in your

19    testimony which is that you see a safety related risk

20    in delay?

21            A     I do. Tomorrow is riskier than today.

22            Q     And that accrues day by day?



1           A     Pretty much.

2           MR. REDDICK:   That's all I have.   Thank you.

3           JUDGE DOLAN:   Thank you, Mr. Reddick.

4                     Mr. Doshi.

5           MR. DOSHI:    Thank you, your Honor.

6                     CROSS-EXAMINATION

7                     BY

8                     MR. DOSHI:

9           Q     Mr. Stoller, good afternoon.

10          A     Good afternoon.

11          Q     My name is Sameer Doshi.   I'm an attorney

12   with the Attorney General's Office and I have some

13   questions for you about your testimony, if you don't

14   mind.

15          A     I don't.

16          Q     I'd like to begin by referring to your

17   rebuttal testimony, which is Staff Exhibit 8.0.

18   Would it be fair to characterize your position in

19   your rebuttal testimony as you are opposed to any

20   extension of the completion date of the AMRP beyond

21   2030?

22          A     That's fair.

1 Q Okay. Thank you.

2 At Line 153, on Page 8 of your  
3 rebuttal testimony, Exhibit 8.0 you state, AMRP was  
4 not ordered by the Commission for reasons other than  
5 pipeline safety.

6 Do you see that?

7 A I see it.

8 Q You were not a Commissioner of the ICC at  
9 the time of the 2009 rate case order; is that  
10 correct?

11 A Absolutely correct.

12 Q And you're an attorney, is that right,  
13 Mr. Stoller?

14 A Yes.

15 Q And the statement I quoted from your  
16 rebuttal testimony, is that your legal opinion?

17 A That's my opinion from reading the order.

18 Q Okay. Thank you.

19 Would you agree that Commission orders  
20 speak for themselves?

21 A Sure.

22 Q Are you suggesting in any way that you are

1 a legal expert in the interpretation of prior ICC  
2 orders?

3 A No.

4 Q Okay. Thank you.

5 Now, speaking again of that 2009 rate  
6 case Docket Nos. 09-0166/0167, you were a witness in  
7 that case; is that correct?

8 A Yes, I was.

9 Q Do you recall that Peoples Gas engaged a  
10 witness named Salvatore Marano in that docket?

11 A I recall that.

12 Q Do you recall that Mr. Marano proposed  
13 three alternative completion dates for the AMRP,  
14 namely, 2025, 2030 and 2035 in his direct testimony  
15 in that docket in support of Peoples Gas' Rider ICR  
16 proposal?

17 A I'll take your word for it. I haven't  
18 looked at his testimony since that case went on.

19 MR. DOSHI: Okay. Thank you.

20 Okay. At this time I'm going to  
21 distribute here in the room in Chicago a series of  
22 cross exhibits that I'm going to ask a few questions

1     about.

2     BY MR. DOSHI:

3           Q     And, Mr. Stoller, earlier today I sent  
4     Staff Counsel, Miss Cardoni, an e-mail with some of  
5     the documents I'd like to discuss. Did you -- were  
6     you able to print some of those documents?

7           A     I was.

8           MR. DOSHI: Okay. Thank you.

9                   AG Cross Exhibit 12 consists of  
10    Staff's response to the following data request, AG  
11    Staff 3.01, 3.02, 3.03 and 3.04.

12                   AG Cross Exhibit 13 consists of  
13    Staff's response to Data Request AG Staff 3.05.

14                   AG Cross Exhibit 14 consists of the  
15    direct testimony plus the rebuttal testimony of  
16    Mr. Stoller from Docket 09-0166/0167.

17                   And finally, AG Cross Exhibit 15 is an  
18    excerpt from the evidentiary hearing transcript in  
19    Docket No. 09-0166/0167.

20                   (Whereupon, AG Cross  
21                   Exhibit Nos. 12 through 15 were  
22                   marked for identification.)

1 BY MR. DOSHI:

2 Q Mr. Stoller, were you able to print out Mr.  
3 Salvatore Marano's direct testimony from Docket  
4 09-0166/0167?

5 A I was.

6 Q And just as a note, we previously  
7 introduced that document and it was admitted as  
8 AG Cross Exhibit 2 yesterday.

9 A All right.

10 MS. CARDONI: Your Honor, I just want to note I  
11 believe that was Exhibit -- that was admitted under a  
12 limited purpose as it related to Mr. Schott's  
13 testimony.

14 Mr. Stoller doesn't testify as to  
15 Mr. Marano's testimony in this docket, so I would  
16 object that any questions involving this -- testimony  
17 would be irrelevant.

18 MR. DOSHI: Your Honor, Mr. Stoller stated in  
19 his rebuttal testimony in the quote I read earlier  
20 that AMRP was not ordered by the Commission for  
21 reasons other than pipeline safety and the  
22 Commission's order in Docket No. 09-0166/0167 relied

1 heavily on the testimony of Miss Marano -- Mr. Marano  
2 on behalf of Peoples Gas. So I'd like Mr. Stoller to  
3 refer to that.

4 MS. CARDONI: Mr. Stoller can't testify as to  
5 what Mr. Marano thought and that doesn't necessarily  
6 mean that his interpretation of the order was related  
7 to Mr. Marano's testimony, so I still don't see the  
8 relevance.

9 JUDGE DOLAN: I have to agree with her. I  
10 think I'll sustain the objection.

11 BY MR. DOSHI:

12 Q Mr. Stoller, would you agree when the  
13 Commission ordered the 2030 completion date for the  
14 AMRP in the 2009 rate case, it also approved Rider  
15 ICR which enabled the Company to receive from  
16 ratepayers a return of and on AMRP investment over a  
17 designated dollar amount each year between rate  
18 cases?

19 A I think that's what happened. I'd have to  
20 read the order, but I believe that's what happened.

21 Q Okay. Thank you.

22 Earlier today I sent staff counsel an

1 Internet link to that order and asked that you print  
2 it out. Were you able to print out the pages I  
3 indicated?

4 A If you mean by that Pages 164 through 197,  
5 yes.

6 Q Yes. Thank you, sir.

7 At the bottom of Page 192, do you see  
8 where the Commission Analysis and Conclusion section  
9 begins?

10 A I do.

11 Q And then moving to the next page the top of  
12 193, do you see the heading, The Case for  
13 Acceleration and Rider ICR?

14 A Yes.

15 Q Would agree that the Commission considered  
16 those two issues together?

17 A They did, I believe.

18 MS. CARDONI: I'm going to object, your Honor.  
19 As Mr. Doshi already pointed out, the order speaks  
20 for itself. I don't really see the need for  
21 Mr. Stoller to confirm what the order says. The  
22 order can be referenced by anyone in any manner and

1     interpretations can be drawn.   So I don't really know  
2     what Mr. Stoller agreeing with what the order says  
3     adds to this.

4             MR. DOSHI:   Your Honor Mr. Stoller, in his  
5     testimony, presented an interpretation of this order,  
6     so I'd like him to refer to it in answering some  
7     questions.

8             JUDGE DOLAN:   For what limited purpose, I guess  
9     I'll overrule the objection.

10            MS. CARDONI:   What page are you on?

11            MR. DOSHI:    I was on 193 of the order from the  
12     2009 rate case.

13     BY MR. DOSHI:

14            Q     Turning to Page 194 of that order,  
15     Mr. Stoller, in the paragraph middle of the page that  
16     starts "however" --

17            A     Yes, I found it.

18            Q     -- do you see in the last sentence where it  
19     says, Staff's persistent claim that Rider ICR is not  
20     needed falls away?

21            A     Yes, I see that.

22            Q     The very bottom of Page 194, do you see



1     where it says, The testimony of Mr. Stoller confirms  
2     for the Commission what it should do in terms of  
3     Rider ICR?

4             A     I see that.

5             Q     Thank you.

6                     I'd like to move on from looking at  
7     the order.

8                     Would you agree that the Illinois  
9     Appellate Court reversed the Commission's approval of  
10    Rider ICR in September of 2011?

11            A     I believe that happened.

12            Q     Thank you.

13                    Would you agree from that time until  
14    2014 when the Commission approved the new statutorily  
15    authorized Rider QIP, Peoples Gas was unable to  
16    collect a return of and on its AMRP investment  
17    between rate cases?

18            A     No.

19            Q     You do not agree?

20            A     Those were investments in infrastructure.  
21    They go into rates. They weren't going through ICR  
22    and they weren't going through QIP. That doesn't

1 mean they didn't get anything for the work they did.

2 Q My question was between rate cases.

3 A I don't know what you mean by that for  
4 sure.

5 Q So after a rate order, if Peoples Gas then  
6 invested AMRP, then until the next rate order, they  
7 were unable to collect a return of and on that AMRP  
8 investment in the absence of Rider ICR; is that  
9 correct?

10 A If they didn't have a rider, they wouldn't  
11 be able to run anything through a rider, that's  
12 right.

13 Q All right. Thank you.

14 And would you agree that for the time  
15 period in 2011 when Rider ICR was reversed until the  
16 time in 2014 when Rider QIP began, Peoples Gas slowed  
17 down the pace of its annual investment in AMRP?

18 MS. CARDONI: I'm going to object, your Honor.  
19 To the extent Mr. Stoller knows, I guess he can  
20 answer the question, but he doesn't testify about  
21 recovery for this investment. He testifies about the  
22 safety related issues and he isn't the accounting

1 witness. So I don't think it's clear that  
2 Mr. Stoller is -- can answer any of these questions.

3 JUDGE DOLAN: Can you rephrase it so...

4 MR. DOSHI: Your Honor, I would simply ask  
5 Mr. Stoller if he knows over the time period I  
6 mentioned, from September of 2011 until Rider QIP  
7 began in early 2014, if Peoples Gas slowed down the  
8 pace of its AMRP investment.

9 If he doesn't know, he could say that.

10 THE WITNESS: I don't.

11 BY MR. DOSHI:

12 Q All right. Thank you.

13 Going back to the 2009 rate case, do  
14 you recall what you recommended as a witness in this  
15 case in response to Mr. Marano's testimony?

16 A You mean, do I recall the recommendations I  
17 testified to?

18 Q Yes, sir.

19 A Well, I just happen to have it in front of  
20 me.

21 MS. CARDONI: I think, your Honor, I'm going  
22 have to object to this question as well.

1 Mr. Stoller's testimony doesn't relate to his  
2 testimony from '09 -- in the '09 and the '09 case  
3 predates even the existence of AMRP, much less the  
4 AMRP audit, so I don't see how it's relevant to his  
5 testimony in this docket.

6 MR. DOSHI: Your Honor, Mr. Stoller has, in his  
7 rebuttal testimony, opined as to the Commission's  
8 subjective motivations for approving the AMRP in the  
9 2009 rate case and according to the language of the  
10 order that we looked at, Mr. Stoller's testimony was  
11 pivotal in informing the Commission's decision. So  
12 I'd like to ask him a couple questions about his  
13 recommendations from that testimony.

14 JUDGE DOLAN: I'll overrule the objection.

15 BY MR. DOSHI:

16 Q Should I repeat the question?

17 A Please do.

18 JUDGE DOLAN: Yes.

19 BY MR. DOSHI:

20 Q My question was, do you recall the  
21 recommendations that you made in your direct  
22 testimony in the 2009 rate case?

1           A     Yes.  They start on Page 2 of that  
2     testimony right at the top of the page, Line 24.

3           Q     Okay.  Thank you.

4                     And just to be clear, this is -- this  
5     is what we marked as AG Cross Exhibit 14, which  
6     consists of Mr. Stoller's direct testimony which was  
7     Exhibit 14.0 and rebuttal testimony, Exhibit -- Staff  
8     Exhibit 28.0 from the 2009 rate case?

9           A     They were both cross 14?

10          Q     Yes.  Those two testimonies together we  
11     have marked as AG Cross Exhibit 14.

12          A     All right.

13          Q     Mr. Stoller, can you summarize your  
14     recommendations from Page 2 there?

15          A     Summarize this?

16          Q     Yes, please.

17          A     I'd rather not try and summarize them.  I  
18     could read them.

19          Q     Sure.

20          A     Peoples Gas should be ordered by the  
21     Commission to conduct an in-depth study of proposed  
22     accelerated cast and ductile iron main replacement

1     program since the program appears to be necessary for  
2     the long-term safety of Peoples Gas natural gas  
3     distribution system.

4                     The second recommendation is, Peoples  
5     Gas should present the Commission with a fully  
6     developed plan for carrying out the accelerated main  
7     replacement program and obtain Commission approval of  
8     that proposed plan in a docket proceeding before  
9     commencing the program with the plan to be analyzed  
10    by an independent consultant to be retained by the  
11    Commission at Peoples Gas' expense prior to  
12    Commission approval.

13                    The third recommendation was,  
14    following Commission approval of Peoples plan for the  
15    main replacement program, Peoples should be ordered  
16    to return to the Commission with an updated analysis  
17    of the program every 3 years indicating the progress  
18    of the program to date, and plans for the remainder  
19    of the program; if those plans have changed since the  
20    last periodic analysis, the update report to be  
21    analyzed by an independent consultant retained by the  
22    Commission at Peoples Gas expense.

1           Q     Thank you.

2                       Regarding your second recommendation  
3     from your 2009 rate case testimony there, did it  
4     ultimately turnout that the Commission required the  
5     AMRP plan to be analyzed by an independent consultant  
6     before the Commission approved the AMRP?

7           A     No, they missed that.

8           Q     Okay. Thank you.

9                       And did it ultimately turn out that  
10    the Commission required Peoples to return to the  
11    Commission with an updated analysis of the AMRP every  
12    3 years indicating progress and future plans and then  
13    the updated report would be analyzed by an  
14    independent consultant? Did that ultimately turn out  
15    that way?

16          A     I don't think that was in the order.

17          Q     Thank you.

18                      And did the Commission -- referring to  
19    both your recommendations 2 and 3, did the Commission  
20    every, in any future case, order what you've proposed  
21    in recommendations 2 and 3?

22          A     No.

1           Q     Okay.  Thank you.

2                     I'd now like to turn to the  
3     evidentiary hearing transcript from the 2009 rate  
4     case which we've marked as AG Cross Exhibit 15.  The  
5     hearing went across a few days.  This transcript is  
6     from August 27th, 2009.

7                     Mr. Stoller, could you turn to  
8     Page 904 of the transcript?

9           A     Yes.

10          Q     And I believe the person doing the  
11     questioning here is an Attorney General lawyer and  
12     she asks on Line 5 on Page 904, is it your testimony  
13     that the 2030 completion date, as presented in  
14     Mr. Marano's testimony, must be approved by the  
15     Commission?  In other words, is 2030 a magic bullet?  
16     Is that the year that it has to be completed in your  
17     mind?

18                     And your answer was, No.

19                     Do you see that?

20          A     I do.

21          Q     And then the office of Attorney General  
22     attorney continues with the question at Line 11, have



1     you seen anything in this case that supports the  
2     notion that it must be completed by 2030?

3                     And your answer was, As to a  
4     particular date, no.

5                     Do you see that?

6             A     I do.

7             Q     Okay. Thank you.

8                     And then if you turn Page 905, the  
9     next page, the Staff counsel, starting at Line 7,  
10    asks you a redirect question. He says, Mr. Stoller,  
11    Miss Lusson asked you some questions about the  
12    completion date, do you recall that?

13                    You say, I do.

14                    Do you see that?

15             A     Yes.

16             Q     And then at Line 11, Staff counsel asks:  
17    Can you explain for the ALJs, though, what your  
18    position is on the acceleration.

19                    Your answer is: They need to do it.  
20    I don't know if it's 2029 or 2030 or 2031, but the  
21    testimony that I saw from Peoples Gas convinces me  
22    they need to get hot.

1                   Do you see that?

2           A     Yes.

3           Q     And then at Line 16, Staff counsel asks,

4     would the issue of a particular completion date be

5     something that you believe would be addressed in the

6     proceeding that you've recommended to look at the

7     implementation plan?

8                   And you say, I would hope so.

9                   Do you see that?

10          A     I do.

11          Q     Okay. Thank you.

12                   Since that evidentiary hearing back in

13     August of 2009, the Commission never opened a new

14     proceeding to specifically investigate the completion

15     date of the AMRP; is that correct?

16          A     That is.

17          Q     Have you or the Staff conducted an

18     independent analysis of the appropriate end date for

19     the AMRP?

20          A     I don't believe so.

21          Q     Okay. Thank you.

22                   Would you agree that the AMRP is

1     behind schedule in terms of a putative target end  
2     date of 2030?

3             A     You know, I don't know. It's got a lot of  
4     problems. I don't know if that all means it's behind  
5     schedule or not, but the problems are what we're  
6     concerned about.

7             Q     Okay. Thank you.

8             A     I don't -- never mind.

9             Q     Do you know if the pace of construction  
10    activity that Peoples Gas has undertaken in the first  
11    four years of the program in 2011 through '14 is  
12    consistent with a 2030 completion date?

13            MS. CARDONI: I'm going to object and say  
14    that's outside the scope of Mr. Stoller's testimony.

15            JUDGE DOLAN: I'll sustain that one.

16    BY MR. DOSHI:

17             Q     At the time of the 2009 rate case, did  
18    Staff perform any calculation of what impact the AMRP  
19    would have on customer rates over the life of the  
20    program?

21             A     I don't know. I didn't.

22             Q     Okay. Thank you.

1                   Could you look at your response to  
2   Data Request AG Staff 3.05 from this docket?   In  
3   Part C, you state in your response, in making his  
4   recommendation that the Commission maintain the 2030  
5   AMRP completion date ordered by the Commission in  
6   Docket No. 09-0166/0167 consolidated, Mr. Stoller did  
7   not consider the rate impacts of PGL ratepayers of  
8   maintaining that schedule.

9                   Do you see that?

10           A     Actually, I don't.   In all the course of  
11   printing all this paper out, I didn't have it, but I  
12   remember the question and if I recall correctly, I  
13   said, I didn't do any economic analysis to justify my  
14   saying that I believed it ought to be completed as  
15   scheduled.

16           Q     Okay.   Thank you.

17                   Do you believe the impact on customer  
18   rates should be a consideration for the Commission  
19   when deciding the appropriate time frame for  
20   completing the AMRP?

21           A     I don't know what they might think is  
22   appropriate.   I think safety is paramount.   That's my

1 recommendation.

2 MR. DOSHI: That's all my questions, sir.

3 Thank you very much.

4 At this time, your Honor, I'd like to  
5 move for admission of AG Cross Exhibits 12, 13, 14  
6 and 15.

7 MS. CARDONI: Your Honor, can I respond after  
8 we break for redirect?

9 JUDGE DOLAN: Yes.

10 Miss Hicks, do you have --

11 MS. HICKS: No questions. Thank you.

12 JUDGE DOLAN: Mr. Stoller, we're going to take  
13 a quick break so yours counsels can speak with you.

14 (Break taken.)

15 MS. CARDONI: We have a little bit of redirect  
16 your Honor.

17 REDIRECT EXAMINATION

18 BY

19 MS. CARDONI:

20 Q Mr. Stoller, do you remember when Mr. Doshi  
21 asked you some questions about your cross-examination  
22 from the 2009 rate case?

1           A     Yes.

2           Q     And what is your understanding of the date  
3     by which the Commission ordered AMRP to be completed?

4           A     I believe they ordered it to be completed  
5     on the 20-year proposal that Salvatore Marano  
6     proposed; that is, they ordered in 2010 to be done by  
7     2030.

8           Q     And are you aware of any order since the  
9     2009 rate case that changed the 2030 completion date?

10          A     I'm not.

11          MS. CARDONI:   Okay.   That's all.

12          JUDGE DOLAN:   Any recross?

13          MR. DOSHI:    No, your Honor.

14          JUDGE DOLAN:   All right.   Thank you,  
15     Mr. Stoller.

16                         We have his exhibits?

17          MS. CARDONI:   Yes.   Judge, we don't object to  
18     Exhibit 12, 13 or 15.   We renew our objection about  
19     Cross Exhibit 2 for any purpose related to  
20     Mr. Stoller and we renew our objection to Cross  
21     Exhibit 14 as outside the scope of Mr. Stoller's  
22     testimony in this docket.

1 JUDGE DOLAN: So you're saying 12, 13 --  
2 MS. CARDONI: 12, 13 and 15 are okay.  
3 JUDGE DOLAN: -- but 14 you're not?  
4 MS. CARDONI: Well -- and 14 for sure. You  
5 know, that was his direct and rebuttal and Mr. Doshi  
6 only questioned him about one page of his direct.  
7 So...  
8 JUDGE DOLAN: And he read that into the record  
9 so, technically, I don't think we really need that in  
10 the record.  
11 He read the excerpt that you wanted;  
12 right?  
13 MR. DOSHI: Yes, your Honor. That's true.  
14 JUDGE DOLAN: Okay. All right. Then with  
15 that, even though I'm not a big fan of putting  
16 transcripts from other court causes in, since there  
17 is no objection, I will allow it but -- 12, 13 and 15  
18 will be admitted into the record, AG Cross Exhibits  
19 12, 13 and 15.  
20 (Whereupon, AG Cross  
21 Exhibit Nos. 12, 13 and 15 were  
22 admitted into evidence.)

1 JUDGE DOLAN: Okay. We're going to do  
2 Mr. McNally now?

3 MS. CARDONI: I'm sorry, Judge, I didn't hear  
4 you.

5 JUDGE DOLAN: I said, we're going to do  
6 Mr. McNally.

7 MS. CARDONI: Yes. Staff calls Mr. Michael  
8 McNally.

9 JUDGE DOLAN: Oh, wait. I'm sorry. We're just  
10 going to put Mr. Coppola's testimony into the record  
11 since he's here and he doesn't get to testify, at  
12 least he gets to show up on the transcript; right?

13 MS. LUSSON: Good afternoon, Mr. Coppola.  
14 Can you please state your name and  
15 business address for the record.

16 A Sebastian Coppola, C-o-p-p-o-l-a. The  
17 business address is 5928 South Gait Road, Rochester,  
18 Michigan 480306.

19 JUDGE DOLAN: Mr. Coppola, please raise your  
20 right hand.  
21  
22



1

2

(Witness sworn.)

3

SEBASTIAN COPPOLA,

4

called as a witness herein, having been first duly

5

sworn, was examined and testified as follows:

6

DIRECT EXAMINATION

7

BY

8

MS. LUSSON:

9

Q Mr. Coppola, you have been you what has

10

been previously marked as AG Exhibit 2.0 as well as

11

attached Exhibits 2.1 through 27.

12

Do you have that before you?

13

A Yes.

14

Q Was this testimony prepared by you or under

15

your supervision?

16

A Yes.

17

Q Do you have any corrections to make to that

18

testimony at this time?

19

A No, I do not.

20

Q And if I asked you the same questions that

21

appear in that testimony today, would your answers be

22

the same?

1           A     Yes.

2           Q     You also have before you what's been  
3 previously --

4           MS. LUSSEN: And I should note for the record  
5 that that testimony, your Honor, was filed on  
6 e-Docket on November 20th, 2014.

7 BY MS. LUSSEN:

8           Q     Mr. Coppola, you also have before you your  
9 rebuttal testimony, which was previously marked as  
10 AG 4.0, along with attached Exhibits 4.1 through 4.7  
11 filed on e-Docket on January 15th, 2015.

12                         Do you see that?

13          A     Yes.

14          Q     And was this testimony prepared by you or  
15 under your supervision?

16          A     Yes.

17          Q     And do you have any corrections to make to  
18 that testimony at this time?

19          A     No.

20          Q     All right. You also have before you what's  
21 been identified as the supplemental testimony of  
22 Sebastian Coppola previously marked as AG 5.0, both

1 confidential and public versions, as well as  
2 AG Exhibit 5.1, a confidential document.

3 Do you see that?

4 A Yes.

5 Q Was that testimony prepared by you or under  
6 your supervision?

7 A Correct.

8 MS. LUSSON: And that testimony, I would note  
9 for the record, was filed on e-Docket on January  
10 22nd, 2015.

11 BY MS. LUSSON:

12 Q Do you have any corrections to make to that  
13 testimony?

14 A No.

15 Q And if I ask you the same questions that  
16 appear in that testimony today, would your answers be  
17 the same?

18 A Yes.

19 Q And, finally, you have what's been  
20 previously identified as the supplemental rebuttal  
21 testimony of Sebastian Coppola marked as AG Exhibit  
22 6.0 as well as AG Exhibit 6.1, both confidential and

1 public.

2 Was that testimony prepared by you or  
3 under your supervision?

4 A Yes.

5 MS. LUSSON: And I would note for the record  
6 that that was filed on e-Docket on January 29th,  
7 2015.

8 BY MS. LUSSON:

9 Q And do you have any corrections to make to  
10 that testimony?

11 A No, I do not.

12 Q And if I asked you the same questions that  
13 appear in that testimony today, would your answers be  
14 the same?

15 A Yes.

16 MS. LUSSON: Your Honor, at this time, I would  
17 move for the admission of AG Exhibits 2.0 and 2.1  
18 through 2.7, AG 4.0 along with attached Exhibits 4.1  
19 through 4.7; AG 5.0 and 5.1, both confidential and  
20 public versions, and finally AG Exhibit 6.0 and  
21 attached Exhibit 6.1, both confidential and public  
22 versions.

1 JUDGE DOLAN: Any objections?

2 MR. EIDUKAS: No objection, your Honor.

3 JUDGE DOLAN: Then those exhibits will be  
4 entered into the record.

5 MS. LUSSEN: Thank you, your Honor.

6 (Whereupon, AG Exhibit  
7 Nos. 2.0 and 2.1 through 2.7;  
8 4.0, Exhibits 4.1 through 4.7;  
9 5.0 and 5.1, both confidential and  
10 public versions; AG Exhibit 6.0 and  
11 Exhibit 6.1 were  
12 admitted into evidence.)

13 JUDGE DOLAN: All right. Staff you want to  
14 call your witness?

15 MS. CARDONI: Staff calls Mike McNally.

16 JUDGE DOLAN: Okay. Good afternoon,  
17 Mr. McNally. Please raise your right hand.

18 (Witness sworn.)

19 JUDGE DOLAN: Thank you.

20

21

22

1                   MICHAEL McNALLY,  
2   called as a witness herein, having been first duly  
3   sworn, was examined and testified as follows:  
4                   DIRECT EXAMINATION  
5                   BY  
6                   MS. CARDONI:  
7           Q    Please state your full name for the record  
8   and spell your last name.  
9           A    Michael McNally, M-c-N-a-l-l-y.  
10          Q    Who is your employer and what is your  
11   business address?  
12          A    My employer is Illinois Commerce  
13   Commission. My business address is 527 East Capitol  
14   Avenue, Springfield, Illinois 62701.  
15          Q    What is your position at the Illinois  
16   Commerce Commission?  
17          A    I'm a senior financial analyst in the  
18   Finance Department of the Financial Analysis  
19   Division.  
20          Q    Did you prepare written exhibits for  
21   submittal in this proceeding?  
22          A    Yes, I did.

1           Q     Do you have before you a document marked  
2     for identification as ICC Staff Exhibit 7.0, public  
3     and confidential, which consists of a cover page,  
4     table of contents, 18 pages of narrative testimony  
5     and is titled the direct testimony of Michael  
6     McNally?

7           A     Yes.

8           Q     Did you prepare that document for  
9     presentation in this matter?

10          A     Yes.

11          Q     Do you also have before you a document  
12     which has been marked for identification as ICC Staff  
13     Exhibit 13.0, which consists of a cover page, seven  
14     pages of narrative testimony and is titled rebuttal  
15     testimony of Michael McNally?

16          A     Yes.

17          Q     Did you prepare that document for  
18     presentation in this matter?

19          A     Yes.

20          Q     Do you have any corrections to make to ICC  
21     Staff Exhibit 7.0 or 13.0?

22          A     No.

1           Q     Is the information contained in ICC Staff  
2     Exhibit 7.0 and 13.0 true and correct to the best of  
3     your knowledge?

4           A     Yes.

5           Q     If I were to ask you the same questions  
6     today in ICC Staff Exhibit 7.0 and 13.0, would your  
7     responses be the same?

8           A     Yes.

9           MS. CARDONI:   Your Honor, I move for admission  
10    into evidence of ICC Staff Exhibit 7.0 and 13.0.  I  
11    note for the record these documents were filed on  
12    e-Docket November 26th, 2014 and January 15, 2015  
13    respectively.

14          JUDGE DOLAN:   13 is confidential and public  
15    versions?

16          MS. CARDONI:   No, 13 was all public.

17          JUDGE DOLAN:   Oh, I'm sorry.  7 was  
18    confidential?

19          MS. CARDONI:   7 was public and confidential.

20          JUDGE DOLAN:   So 7 is public and confidential,  
21    and 13 is just public.

22                         Any objections?



1           MR. EIDUKAS: No objections, your Honor.

2           JUDGE DOLAN: All right. Hearing no

3 objections, those documents admitted into the record.

4                       (Whereupon, Staff Exhibits

5                       7.0 and 13.0 were

6                       admitted into evidence.)

7           JUDGE DOLAN: Mr. Reddick?

8           MR. REDDICK: Thank you, your Honor.

9                       CROSS-EXAMINATION

10                      BY

11                      MR. REDDICK:

12           Q     Mr. McNally, Conrad Reddick representing

13 the City of Chicago.

14           A     Hello.

15           Q     One topic to cover with you. In your

16 testimony, you discuss Section 7- 103 and as I

17 understand your testimony, you're proposing back up

18 requirements to be in place if Mr. Gorman's dividend

19 restriction condition that's not adopted by the

20 Commission; is that an accurate description?

21           A     Do you have the citation there?

22           Q     It's your rebuttal testimony, Line 127.

1           A     That's correct.

2           Q     I'm interested in understanding how Section  
3     7-103 works for the Staff and for the commission if  
4     PGL or North Shore wanted to declare a dividend in  
5     circumstances where there was a question about the  
6     adequacy of funding.

7                     So my question to you is, in ordinary  
8     circumstances, is a utility required to provide the  
9     Commission with advanced notice of its intention to  
10    declare and pay a dividend?

11          A     No, I do not believe so.

12          Q     And, likewise, you would have no notice of  
13    the amount of the dividend that would be declared?

14          A     That's correct.

15          Q     How far in advance of a dividend  
16    announcement does the Commission usually find out  
17    that a utility is going to declare and pay a  
18    dividend?

19          A     I would assume at the time it's made  
20    public.

21          Q     At the same time as every one else?

22          A     Yes.

1           Q     Now, under Section 7-103 as you understand  
2     it, is the Commission required to determine the state  
3     of the utility's finances in anticipation that it  
4     might want to pay a dividend?

5           A     I don't know if it requires the Commission  
6     to do that.

7           Q     I'm sorry, okay. If the Commission wished  
8     to exercise its authority under Section 7-103, it  
9     would have to make a determination before the utility  
10    declared and paid a dividend; correct?

11          A     Yes, I guess it would, yes.

12          Q     And is your department or division the one  
13    that would make the assessment for the Commission,  
14    the financial status of the company?

15          A     Frankly, I've never been involved in such a  
16    matter, but I presume that the Finance Department  
17    would be -- would have to look into that. Of course,  
18    the Commission will ultimately make the decision,  
19    but...

20          Q     Then let me -- if you don't know the  
21    answers to these because you've never been involved  
22    in one, just say you don't. But would the task of

1     assessing the financial condition of a utility to  
2     determine whether it could properly pay a dividend  
3     under 7-103 like your assessment of financial  
4     condition of a utility for any other purpose?

5             A     That's a broad question.

6             Q     I'm simply look to go see if it's like  
7     anything that you've actually done?

8             A     Again, I don't really know what it would  
9     entail, but I presume it would be a general review of  
10    the financial condition.

11            Q     Do you have any idea how long that would  
12    take?

13            A     No, not really.

14            Q     Okay.

15            A     It wouldn't be like a day or two, it would  
16    be awhile. I presume there would be data requests  
17    involved and such.

18            MR. REDDICK: That's fine. Thank you, your  
19    Honor.

20            JUDGE DOLAN: All right. Thank you.

21                   Miss Lusson?

22

1 CROSS-EXAMINATION

2 BY

3 MS. LUSSON:

4 Q Good afternoon, Mr. McNally.

5 A Good afternoon.

6 Q As I understand your assignment in this

7 case, you were -- your testimony deals with your

8 examination of the proposed merger within the context

9 of section 7-204(b)(7) relative to cost of capital

10 issues; is that correct?

11 A Yes, in part.

12 Q And did you examine any other aspects of

13 whether or not there would be possible adverse rate

14 impacts outside of cost of capital issues?

15 A No.

16 MS. LUSSON: Thank you.

17 JUDGE DOLAN: All right. Thank you.

18 Miss Hicks?

19 MS. HICKS: I waived my cross. Thank you.

20 JUDGE DOLAN: Any redirect?

21 MS. CARDONI: Mike, do you need us to call you

22 or no?

1           THE WITNESS:   No.

2           MS. CARDONI:   Okay.   No redirect.

3           JUDGE DOLAN:   All right.   Thank you,

4   Mr. McNally.

5           MR. FEELEY:   At this time, Staff would call its

6   next witness, Dianna Hathhorn.

7           JUDGE DOLAN:   Good afternoon, Miss Hathhorn,

8   please raise your right hand.

9                           (Witness sworn.)

10          JUDGE DOLAN:   Thank you.

11                          DIANNA HATHHORN,

12   called as a witness herein, having been first duly

13   sworn, was examined and testified as follows:

14                          DIRECT EXAMINATION

15                          BY

16                          MR. FEELEY:

17           Q    Could you please state and spell your name

18   for the court reporter.

19           A    My name is Dianna Hathhorn,

20   H-a-t-h-h-o-r-n.

21           Q    Miss Hathhorn, do you have in front of you

22   a document that's been marked for identification as

1 ICC Staff Exhibit 6.0, the direct testimony of Dianna  
2 Hathhorn which consists of 13 pages of narrative text  
3 and Attachment A?

4 A Yes, I do.

5 Q Was that document prepared by you or under  
6 your direction and supervision and control?

7 A Yes.

8 Q Do you have any additions, deletions or  
9 modifications to make to ICC Staff Exhibit 6.0 or  
10 Attachment A?

11 A I have one correction to Attachment A. It  
12 was incorrectly labeled as ICC Staff 1.0 instead of  
13 ICC Staff Exhibit 6.0.

14 Q Miss Hathhorn, do you have in front of you  
15 another document, which has been marked for  
16 identification as ICC Staff Exhibit 12.0, it's  
17 entitled the rebuttal testimony of Dianna Hathhorn,  
18 it consists of 10 pages of narrative text and there  
19 are no attachments?

20 A Yes, that's correct.

21 Q Was that document repaired by you or under  
22 your direction, supervision and control?

1           A     Yes.

2           Q     Do you have any additions, deletions or  
3     modification to make to ICC Staff Exhibit 12.0?

4           A     I do not.

5           Q     Do you intend ICC Staff Exhibit 6.0 and  
6     12.0 to be your sworn testimony in this matter?

7           A     Yes, I do.

8           MR. FEELEY: Your Honor, at this time, Staff  
9     would move to admit into evidence ICC Staff Exhibit  
10    6.0 and Attachment A with the correction noted by  
11    Miss Hathhorn and ICC Staff Exhibit 12.0 the direct  
12    and rebuttal testimony, respectively.

13                         Staff Exhibit 6.0 and Attachment A was  
14    filed on e-Docket on November 20th and 12.0 was filed  
15    on January 15th, 2015.

16           JUDGE DOLAN: Okay. Just so I'm -- Attachment  
17    A starts off with Joint Applicants' responses to  
18    Staff Data Request -- is that the right document?

19           MR. FEELEY: Miss Hathhorn, could you just  
20    identify what Attachment A is? The ALJ was asking.

21           JUDGE DOLAN: Or does it have the JA 000066 at  
22    the bottom? Just so I'm make sure --



1           THE WITNESS:   Yes, that's correct.

2           JUDGE DOLAN:   Okay.   All right.   Great.   Thank

3   you.

4           MR. FEELEY:   Staff would move to admit those

5   exhibits and attachment into evidence.

6           JUDGE DOLAN:   Any objections?

7           MR. EIDUKAS:   No objection, your Honor.

8           JUDGE DOLAN:   Hearing none, those exhibits will

9   be admitted into the record.

10                         (Whereupon, ICC Staff Exhibit

11                         Nos. 6.0, Attachment A and 12.0

12                         were admitted into evidence.)

13           MR. FEELEY:   Miss Hathhorn is available for

14   cross-examination.

15           JUDGE DOLAN:   Miss Lusson?

16           MS. LUSSON:   Thank you.

17                         CROSS-EXAMINATION

18                         BY

19                         MS. LUSSON:

20           Q    Good afternoon, Miss Hathhorn.

21           A    Good afternoon.

22           Q    If you could turn to Pages 6 and 7 of your

1 direct testimony, Exhibit 12.0.

2 A My rebuttal? Or direct?

3 Q Yes. Yes. It's actually your rebuttal.

4 A I'm there.

5 Q There you comment on AG Witness Efron's

6 recommendations.

7 Do you see that?

8 A Yes, I do.

9 Q And you understand -- is it correct that

10 you understand that those are -- those

11 recommendations are that those two refund mechanisms

12 be implemented as conditions of the merger; would you

13 agree?

14 A Yes, I agree.

15 Q So if the Joint Applicants -- if the

16 Commission entered an order approving the merger and

17 included those two conditions and the Joint

18 Applicants found those conditions to be unacceptable,

19 they would not necessarily be compelled to complete

20 the merger?

21 MR. FEELEY: Objection. I think that calls for

22 a legal conclusion by this witness who is not an

1 attorney.

2 MS. LUSSEN: Well, she's indicated that she's  
3 objected to these for legal reasons and I'm simply  
4 trying to explore what her understanding is of  
5 Mr. Effron's recommendations with respect to those  
6 two riders.

7 MR. FEELEY: That wasn't your question to her.  
8 You said, Would the Joint Applicants be compelled to  
9 abide by it?

10 MS. LUSSEN: I can rephrase the question if  
11 you'd like, your Honor.

12 JUDGE DOLAN: Please.

13 BY MS. LUSSEN:

14 Q Would you agree, miss Hathhorn, that should  
15 the commission include these as conditions of the  
16 merger, the fact that they are conditions leaves open  
17 the possibility for the joint applicants to reject  
18 those conditions and not move forward with the  
19 merger; would you agree?

20 A Yes, I believe that's correct.

21 MS. LUSSEN: Okay. Thank you. That's all I  
22 have.

1 JUDGE DOLAN: Okay. Thank you. They're the  
2 only -- she's the only one that had questions for  
3 Miss Hathhorn, so if you have any need for redirect?  
4 MR. FEELEY: No redirect.  
5 JUDGE DOLAN: All right. Thank you,  
6 Miss Hathhorn.  
7 THE WITNESS: Thank you.  
8 JUDGE DOLAN: Whose next?  
9 MR. HARVEY: I believe Mr. Kahle, your Honor.  
10 JUDGE DOLAN: Before we proceed with Mr. Khale,  
11 since we are kind of running -- I shouldn't jinx us  
12 is either Cheaks or Gorman available if we needed to  
13 have them testify this afternoon?  
14 MR. REDDICK: Mr. Gorman has no cross  
15 remaining. All parties have waived their cross and  
16 Mr. Cheaks would be cross-examined only if we went  
17 over into tomorrow.  
18 JUDGE DOLAN: Okay.  
19 MR. EIDUKAS: I was going say, Mr. Reddick and  
20 I have agreed to stipulation of DR -- data request  
21 responses in lieu of our cross-examination. So we  
22 would have no cross for either witnesses. The

1 30 minutes that will are listed are withdrawn.

2 MR. REDDICK: Were you going to do those now?

3 JUDGE DOLAN: No, I was just trying to see --

4 okay. Let's just go ahead and we can keep moving

5 along then. I just wanted to see where -- okay.

6 Call your next witness.

7 MR. HARVEY: We'll call Daniel Kahle at this

8 time, your Honor.

9 JUDGE DOLAN: Good afternoon, Mr. Kahle. Would

10 you please raise your right hand?

11 (Witness sworn.)

12 JUDGE DOLAN: Thank you.

13 DANIEL KAHLE,

14 called as a witness herein, having been first duly

15 sworn, was examined and testified as follows:

16 DIRECT EXAMINATION

17 BY

18 MR. HARVEY:

19 Q Mr. Kahle, would you please state your name

20 and spell it for the record.

21 A Daniel Kahle. My last name is spelled

22 K-a-h-l-e.

1           Q     By whom are you employed and in what  
2     capacity?

3           A     I am employed by the Illinois Commerce  
4     Commission. I'm an accountant in the Accounting  
5     Department of the Financial Analysis Division.

6           Q     Thank you.

7                     Do you have a document before you  
8     marked for identification as Staff 5.0 consisting of  
9     a cover page, table of contents seven pages of  
10    narrative text and two attachments marked as  
11    Attachment A and Attachment B respectively, each of  
12    which is one page in length?

13          A     Yes, I do.

14          Q     Was this prepared by you or at your  
15    direction?

16          A     Yes.

17          Q     Did you file it or cause it to be filed on  
18    e-Docket on or about November 20, 2014?

19          A     Yes.

20          Q     Are all the statements contained in Staff  
21    5.0 true and correct?

22          A     Yes.

1           Q     Do you have any corrections to make to  
2     Staff 5.0?

3           A     No, I do not.

4           Q     Do you adopt Staff 5.0 as your direct  
5     testimony in this proceeding?

6           A     Yes.

7           MR. HARVEY:   Thank you.

8                     At this point, I move Staff 5.0 with  
9     Attachments A and B into evidence.

10          JUDGE DOLAN:   Any objections?

11                     (No response.)

12          JUDGE DOLAN:   Hearing none, Staff 5.0 with the  
13     attachments will be admitted into the record.

14          MR. HARVEY:   Thank you very much, your Honor.

15                     (Whereupon, Staff

16                     Exhibit No. 5.0 with

17                     Attachments A and B

18                     were admitted into evidence.)

19     BY MR. HARVEY:

20           Q     Mr. Kahle, moving on to Staff Exhibit 11.0,  
21     do you have a document marked as Staff Exhibit 11.0  
22     before you consisting of a cover page and six pages

1 of narrative text?

2 A Yes, I do.

3 Q And was that prepared by you or at your  
4 direction?

5 A Yes.

6 Q Did you file it or cause it to be filed on  
7 e-Docket on or about January 15, 2015?

8 A Yes.

9 Q Are all the statements made in Staff  
10 Exhibit 11.0 true and correct?

11 A Yes.

12 Q Do you have any corrections to make to  
13 Staff Exhibit 11.0?

14 A No.

15 Q Do you adopt Staff Exhibit 11.0 as your  
16 rebuttal testimony in this proceeding?

17 A Yes, I do.

18 MR. HARVEY: At this time, your Honor, I will  
19 move Staff Exhibit 11.0 into evidence and tender the  
20 witness for cross-examination.

21 JUDGE DOLAN: Any objections?

22 (No response.)



1 JUDGE DOLAN: Hearing none, Staff Exhibit 11.0  
2 will be admitted into the record.  
3 (Whereupon, Staff  
4 Exhibit No. 11.0 was  
5 admitted into evidence.)  
6 JUDGE DOLAN: Mr. Reddick?  
7 MR. REDDICK: Thank you, your Honor.  
8 CROSS-EXAMINATION  
9 BY  
10 MR. REDDICK:  
11 Q My name is Conrad Reddick. I represent the  
12 City of Chicago. I only have one long question for  
13 you.  
14 A Okay.  
15 Q Did you hear any of the testimony this  
16 morning from either Mr. Lauber or Mr. Reed?  
17 A I have heard portions of both.  
18 Q Do you agree that it's important that  
19 transaction costs and savings be identified and  
20 tracked accurately at all stages of the transition?  
21 A Sorry, did you say transaction cost?  
22 Q Did I say "transition"? I meant

1 transition.

2 MR. HARVEY: Could I have that question read  
3 back just so I'm sure what you're answering here?

4 MR. REDDICK: Why don't I just restate it.

5 MR. HARVEY: That would be great.

6 BY MR. REDDICK:

7 Q Do you agree that transition costs and  
8 savings should be identified and tracked accurately  
9 at all stages of the transition?

10 A Yes, I do.

11 Q And with the magnitude of transition costs  
12 that may be at issue in mind, would you agree as well  
13 that the accuracy or inaccuracy will have significant  
14 consequences for ratepayers?

15 A If there's --

16 MR. HARVEY: I think that --

17 THE WITNESS: -- significant magnitude, yes.

18 BY MR. REDDICK:

19 Q On the basis of what you heard this morning  
20 from Mr. Reed and Mr. Lauber, do you agree with me  
21 that there is much to be done in establishing the  
22 appropriate protocols for tracking the transition

1 costs and transition savings?

2 MR. HARVEY: I think that question is a  
3 tri-fold of egg. The phrase "much to be done" leaves  
4 itself open to a number of possible interpretations.  
5 If Counsel could be somewhat more specific, I think  
6 we could perhaps get a better answer.

7 BY MR. REDDICK:

8 Q Mr. Kahle, do you believe that the  
9 accounting systems and tracking systems for  
10 transition costs and savings are ready to go today?

11 A I know that Mr. Reed's testimony spoke of  
12 using spreadsheets, but I don't know if they're ready  
13 to go today.

14 Q So there remains work to be done?

15 A It would seem so, yes.

16 Q Based on what you heard this morning, would  
17 more detail in the commitment be helpful to the  
18 Commission in reviewing compliance with the  
19 commitments in the future?

20 A A little more detail would be helpful, but  
21 I'm not sure a little more detail is available at  
22 this point.

1           MR. REDDICK:   Thank you.

2                       Nothing further.

3           JUDGE DOLAN:   Thank you.

4                       Any redirect?

5           MR. HARVEY:   Dan, do we need to talk about

6   this?

7           THE WITNESS:   No, I don't think so.

8           MR. HARVEY:   Then in that case, we have none,

9   your Honor.

10          JUDGE DOLAN:   All right.   Thank you, Mr. Kahle.

11          MR. FEELEY:   Judge, before we go to our next

12   witness, did we swear in Miss Hathhorn?

13          JUDGE DOLAN:   Yes.

14          MR. FEELEY:   Okay.   Al right.   At this time,

15   Staff would call its next witness Mr. Eric

16   Lounsberry.

17          JUDGE DOLAN:   Good afternoon, Mr. Lounsberry.

18   Please raise your right hand.

19                       (Witness sworn.)

20          JUDGE DOLAN:   Thank you.

21

22

1                   ERIC LOUNSBERRY,  
2   called as a witness herein, having been first duly  
3   sworn, was examined and testified as follows:  
4                   DIRECT EXAMINATION  
5                   BY  
6                   MR. FEELEY:  
7           Q     Could you please state your name and spell  
8   it for the court reporter?  
9           A     My name is Eric Lounsberry. Last name is  
10  spelled L-o-u-n-s-b-e-r-r-y.  
11          Q     Mr. Lounsberry, do you have in front of you  
12  a document that's been marked for identification as  
13  ICC Staff Exhibit 2.0, the direct testimony of Eric  
14  Lounsberry, which consists of 33 pages of narrative  
15  text, Attachment 1, Part 1, Attachment 1, Part 2 and  
16  Attachment 2?  
17          A     Yes.  
18          Q     Was that -- was ICC Staff Exhibit 2.0  
19  prepared by you or under your direction, supervision  
20  and control?  
21          A     Yes, it was.  
22          Q     Do you have any additions, deletions

1 modifications or corrections to make to ICC Staff  
2 Exhibit 2.0?

3 A No, I do not.

4 Q If -- today, if I were to ask you the same  
5 certificates of questions set forth in that document,  
6 would your answers be the same?

7 A Yes.

8 Q Mr. Lounsberry, do you have another  
9 document which has been marked for identification as  
10 ICC Staff Exhibit 9.0, the rebuttal testimony of Eric  
11 Lounsberry, it consists of a cover page, 28 pages of  
12 narrative text and no attachments?

13 A Yes.

14 Q Was that document prepared by you or under  
15 your direction supervision and control?

16 A Yes.

17 Q Do you have any additions, deletions,  
18 modifications or corrections to make to ICC Staff  
19 Exhibit 9.0?

20 A Yes, I do.

21 Q What is that?

22 A On Page 7, Lines 172 through 174 are a

1 repeat of what I have on Page 6, Lines 126 through  
2 Line 128. So the second one is duplicative and it  
3 can be removed. The one on Line 172 through 174.

4 Q All right. Do you intend ICC Staff Exhibit  
5 9.0 to be your sworn rebuttal testimony in this  
6 matter?

7 A Yes.

8 MR. FEELEY: Your Honor, I would note that  
9 Staff Exhibit 2.0 with the attachments was filed on  
10 November 20th, 2014 and Exhibit 9.0 was filed on  
11 e-Docket on January 15th, 2015.

12 At this time, Staff would move to  
13 admit into evidence ICC Staff Exhibit 2.0 with  
14 Attachments 1, Part 1 and Part 2 and Attachment 2 and  
15 Staff Exhibit 9.0, those being the direct and  
16 rebuttal testimony of Mr. Lounsberry.

17 JUDGE DOLAN: Any objections?

18 (No response.)

19 JUDGE DOLAN: Hearing none, those exhibits will  
20 be entered into the record.

21

22

1                   (Whereupon, ICC Staff  
2                   Exhibits 2.0 with Attachments 1,  
3                   Part 1 and Part 2 and Attachment 2  
4                   and Staff Exhibit 9.0 were  
5                   admitted into evidence.)

6           MR. FEELEY: Mr. Lounsberry is available for  
7 cross-examination.

8                   CROSS-EXAMINATION

9                   BY

10                  MR. REDDICK:

11           Q     Good afternoon, Mr. Lounsberry. My name is  
12 Conrad Reddick. I represent the City of Chicago.

13           A     Good afternoon.

14           Q     Just a couple moments of your time. In  
15 your testimony, you have expressed concerns about the  
16 number of employees the Joint Applicants propose to  
17 commit to retain after the closing; is that correct?

18           A     Yes.

19           Q     Do you agree that it is important as well  
20 for the Commission to consider not just the number of  
21 employees, but the composition of the workforce to  
22 assure that there are employees with the requisite



1 expertise and skills to maintain the safety of the  
2 system?

3 A I only testified to the number. I didn't  
4 have an opinion regarding the composition.

5 MR. REDDICK: That ends my questioning. Thank  
6 you.

7 JUDGE DOLAN: Thank you.

8 Mr. Doshi?

9 MR. DOSHI: Thank you, your Honor.

10 CROSS-EXAMINATION

11 BY

12 MR. DOSHI:

13 Q Mr. Lounsberry, good afternoon.

14 A Good afternoon.

15 Q My name is Sameer Doshi. I'm an attorney  
16 with the Attorney General's Office. I have some  
17 questions for you about your testimony, if you don't  
18 mind.

19 In your rebuttal testimony, you  
20 present proposed conditions for the proposed merger,  
21 for example, on Page 6, starting at Line 129 -- this  
22 is in your rebuttal testimony, Staff Exhibit 9.0 --

1 starting at Line 129, you present a proposed  
2 condition regarding implementation of the audit  
3 recommendations from Liberty Consulting Group and as  
4 you probably know, the Joint Applicants in their  
5 Exhibit 15.1 revised had presented a, I guess,  
6 slightly modified version of that proposal that you  
7 presented.

8 Are you familiar with Condition 9 in  
9 the Joint Applicants' Exhibit 15.1 revised?

10 A My understanding was the original Exhibit  
11 15 had Condition 9 with different language than what  
12 I proposed and 15.1 corrected the inconsistencies  
13 between the two phrasing.

14 Q Okay. Thank you.

15 So looking at the Joint Applicants  
16 Condition 9, the condition provides that if Peoples  
17 Gas determines that a recommendation is not possible,  
18 practical and reasonable, including that the  
19 recommendation would not be cost effective or would  
20 require imprudent expenditures, Peoples Gas shall  
21 provide an explanation of Peoples Gas' determination  
22 with all the necessary documentation and studies to

1 demonstrate to the satisfaction of the Commission  
2 Staff that strict implementation of the  
3 recommendation is not possible, practical or  
4 reasonable along with an alternative plan to  
5 accomplish the goals of the recommendation as fully  
6 as is possible, practical and reasonable.

7 Do you see that in the Joint  
8 Applicants' Exhibit 15.1 revised?

9 A Yes, I do.

10 Q My question is, are you satisfied that the  
11 Commission Staff has sufficient personnel and  
12 expertise to assess whether particular  
13 recommendations from the Liberty Consulting Group  
14 Audit Report are possible, practical, reasonable and  
15 cost effective?

16 A The number of personnel is not anything I  
17 have authority over. So, I mean, if I'm assigned to  
18 do something, that's what I do.

19 Q Thank you.

20 Based on your knowledge of what the  
21 existing staffing levels and expertise and the  
22 capacity of the Commission Staff are, is it your

1 opinion, if you have one, whether the Commission  
2 Staff, as I asked before, has sufficient personnel  
3 and expertise to make the assessment contemplated in  
4 Condition 9?

5 A I don't have an opinion, but I would also  
6 point out that my understanding is we'd also work  
7 with Liberty Consulting. So their expertise with  
8 would also be relied upon.

9 Q Okay. Thank you.

10 Can you explain, if you have any --  
11 any idea how you envision the process between the  
12 Commission Staff and Peoples Gas would work in the  
13 future in case there is any -- any confusion or  
14 disputes about whether a particular recommendation  
15 from the Liberty Consulting Group Audit Report is  
16 possible, practical, reasonable and cost effective?

17 A I've never worked on an audit before. So I  
18 don't have an opinion.

19 Q Okay. Thank you.

20 Condition 10 of Exhibit 15 -- Joint  
21 Applicants' Exhibit 15.1 revised which mirrors your  
22 proposed condition from your rebuttal testimony

1 starting at the bottom of Page 6 and moving to Page 7  
2 says: Peoples Gas will cooperate fully with the  
3 Commission Staff and consultants as they work to  
4 verify that Peoples Gas has implemented the  
5 recommendations in the final report on the Peoples  
6 Gas AMRP investigation to the extent it has  
7 determined they should be implemented pursuant to  
8 Condition No. 9 above. Cooperation means to provide  
9 requested personnel who are reasonable involved and  
10 connected to and/or relevant to the AMRP and/or to  
11 Liberty Audit for interviews in a timely manner in  
12 which the personnel and attorney shall provide to the  
13 best of their ability, accurate and complete  
14 non-privileged information in response to questions  
15 asked, to answer written questions in a reasonable  
16 time with accurate and complete non-privileged  
17 information, and to make all non-privileged  
18 information, equipment, work sites, workforces and  
19 facilities available for inspection upon reasonable  
20 request.

21 Sorry to read out such a mouthful. Do  
22 you see all that?

1           A     Yes, I do.

2           Q     And I have a similar question as what I  
3     asked regarding Condition 9.  In light of your  
4     knowledge of the existing staffing levels and  
5     knowledge and capacity at the Commission Staff, are  
6     you satisfied that Staff has the capacity to verify  
7     implementation of the Liberty Consulting Group  
8     recommendations?

9           A     Again, I have no opinion regarding the  
10    Commission staffing levels.  I would point out that  
11    Phase 2 of the Liberty audit involves them --  
12    involves Liberty, over a 2-year period, verifying  
13    implementation of the recommendations.

14          Q     Okay.  Thank you.

15                    Would you agree, based on your  
16    knowledge, that the budget of the Illinois Commerce  
17    Commission is under some uncertainty in light of the  
18    State's budget problems?

19          MR. FEELEY:  Objection.  On relevance.

20          MR. DOSHI:  Your Honor, Mr. Lounsberry is  
21    recommending in his rebuttal testimony particular  
22    verification procedures whereby Staff will evaluate

1 Peoples Gas' implementation of certain  
2 recommendations in their AMRP and evaluating -- the  
3 feasibility of that proposal would entail  
4 understanding whether the Commission and its Staff  
5 has the capacity to do so.

6 MR. FEELEY: And I'll just object on  
7 foundation.

8 JUDGE DOLAN: I was going to say, you have to  
9 find out whether he has any knowledge of the budgets  
10 or anything. So I think you have to set a foundation  
11 for that question.

12 BY MR. DOSHI:

13 Q Mr. Lounsberry, are you aware of any  
14 reported, either publically or otherwise, problems  
15 with the State of Illinois' budget?

16 A I'm aware of what's in the paper  
17 regarding -- that there's a budget shortfall.

18 Q Okay. Thank you.

19 Are you aware of any potential budget  
20 problems that have been reported, either publically  
21 or privately, for the Illinois Commerce Commission?

22 MR. FEELEY: Objection. He hasn't established

1     that this witness would have the knowledge to answer  
2     this question.

3             JUDGE DOLAN:   He's asking that question.

4             MR. FEELEY:   Well...

5             JUDGE DOLAN:   I mean, if he knows, he can  
6     answer.   Overruled.

7             THE WITNESS:   I don't have any detailed  
8     knowledge regarding the Commission's budget.

9     BY MR. DOSHI:

10            Q     Do you have any general knowledge of any  
11     budget problems affecting the Illinois Commerce  
12     Commission?

13            A     No.

14            Q     Okay.   Thank you.

15                         Does anyone on the Commission Staff  
16     have expertise in overseeing or auditing gas main  
17     replacement projects?

18            A     I don't know.

19            Q     Okay.   Thank you.

20                         Regarding the Joint Applicants  
21     Condition 10 in their Exhibit 15.1 revised, do you  
22     have any expectation of what would be the time line



1     for verifying implementation of the Liberty  
2     Consulting Group's recommendations?

3             A     I'm not sure I understand the question.  
4     Phase 2 of the Liberty investigation is a 2-year  
5     project. I'm not quite sure that's what you asked  
6     me.

7             Q     Is it your expectation that the  
8     verification envisioned in Condition 10 is  
9     coterminous or within the same time frame as the  
10    2-year verification period ordered by the Commission  
11    in the order of Docket No. 12-0511/0512?

12            A     I believe it's part of it.

13            MR. DOSHI: Okay. Thank you.

14                   Your Honor, now I have a few questions  
15    that I think require going in camera.

16            JUDGE DOLAN: All right. We'll go in camera.

17                   (Whereupon the following pages  
18    were had in camera.)

19

20

21

22